

12m Results 2019

Opinion ⁽¹⁾: Below expectations**Impact** ⁽¹⁾: We will have to trim our estimates

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Business description

Desarrollos Especiales de Sistemas de Anclajes (DESA) is a small industrial group with its corporate headquarters in Barcelona (Spain), specialising (>60 years) in the manufacture and sale of fasteners, staples and tools used in the construction, industry and agriculture sectors. It has an international presence (33% of revenue) and is controlled by its core shareholders (c.75% of capital).

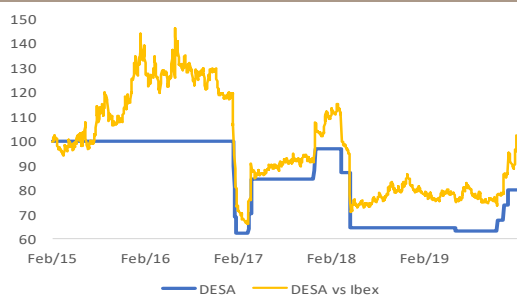
Market Data

Market Cap (Mn EUR and USD)	17.9	19.7
EV (Mn EUR and USD) ⁽²⁾	34.4	37.9
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Mín EUR)	10.00 / 8.92 / 7.90	
Daily Avg volume (-12m Mn)	n.m.	
Rotation ⁽³⁾	0.0	
Thomson Reuters / Bloomberg	DESA.MC / DESA.SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Maden S.A.	29.9
SARM S.A.	20.0
Gestión Ixua S.L.	16.3
Board Members	8.9
Free Float	24.9

Relative performance -5y (Base 100)



Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	0.0	26.6	23.5	-20.0
vs Ibex 35	8.7	35.8	31.3	2.5
vs Ibex Small Cap Index	6.9	29.3	28.2	-34.7
vs Eurostoxx 50	11.7	40.8	22.3	-13.5
vs Sector benchmark ⁽⁴⁾	10.7	39.0	17.5	-28.6

(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) Please refer to Appendix 2.

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

(4) vs TR Europe Industrial Machinery and Equipment.

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

2019 revenues in line, but with a smaller margin

NO SURPRISES IN REVENUES (EUR 42.4Mn, +3.2%, -4.6p.p. y/y) due to the economic slowdown, which has especially impacted the industrial division (c. -8%), and the deceleration of growth in the construction division (c. +5%, c. -3.5p.p. y/y). Even so, the performance of both divisions was better than expected, offsetting lower growth in the agricultural division (c. +20% y/y). Although it is still too early to assess the impact of the coronavirus crisis, the Group's industrial business (c. 40% of consolidated revenues) should be impacted (-2.3% y/y 2020e in the division's revenues).

BUT A BIGGER DETERIORATION IN THE MARGIN (REC. EBITDA/REVENUES 6.0%, -0.3p.p.) DUE TO AN UNFAVOURABLE MIX: 2019 EBITDA and EBIT, -13% and -25% vs estimates, respectively. Smaller contribution from the agricultural business in 4Q (the main driver of margin improvement in the mid to long term), due to technical problems (now resolved) with its newest product, with revenues likely to recover over 2020. However, DESA has ways to defend margins in the mid term, such as the restructuring measures begun in 4Q (with a non-recurrent cost of EUR 0.1Mn) and the potential increase in prices in 2020 (in line with the sector).

INCREASE IN DEBT IN LINE (ND EUR 15.6Mn, +16% y/y) due to higher CAPEX (EUR 2.5Mn, c. 2x y/y, although lower than expected, EUR 3.3Mn) and higher working capital investment (+1.4x y/y). The result: higher debt (6.5x ND/EBITDA, +1.3x y/y; sector, 2.3x).

THE WEAKNESS OF THESE RESULTS LEADS US TO DOWNGRADE OUR ESTIMATES DUE TO: 1) the delay in the commercialisation of agricultural products, 2) the exposure of the industrial business to the coronavirus crisis and 3) the impact of potential efficiency improvement measures on the P/L. DESA has enough inventories for c. 5 months, but the prolongation of the crisis could cause disruption to the business (c. 25% of the products sold come from Asia). On the other hand, revenues from the agricultural line should recover in the short term.

Results table

	2019 (Real)	2018	2019 (Real) vs 2018	2019 (Est.)	2019 (Est.) vs 2019e	4Q19	4Q19 vs 4Q18
Total Revenues	42.4	41.1	3.2%	42.7	-0.6%	10.0	3.0%
Rec. EBITDA	2.5	2.6	-1.5%	2.7	-7.8%	0.6	169.1%
Rec. EBITDA / Rev.	6.0%	6.2%	-0.3 p.p.	6.4%	-0.5 p.p.	6.2%	3.8 p.p.
EBITDA	2.4	2.6	-6.8%	2.7	-12.8%	-0.4	n.a.
EBITDA / Rev.	5.6%	6.2%	-0.6 p.p.	6.4%	-0.8 p.p.	n.a.	n.a.
EBIT	1.2	1.7	-27.1%	1.6	-25.0%		
EBT	1.1	1.5	-29.6%	1.4	-25.9%		
NP	0.8	1.2	-33.8%	1.2	-30.3%		
Ordinary NP	0.9	1.2	-25.2%	1.3	-30.0%		
Rec. FCF	-1.2	-1.2	-3%	-1.5	-18.2%		
Rec. FCF Yield	n.a.	n.a.	n.a.	n.a.	n.a.		
Net Debt	15.6	13.4	16%	15.9	-1.9%		
ND / EBITDA	6.5 x	5.2 x	1.3 x	5.8 x	0.7 x		

(1) Excludes capitalizations and non recurrent expenses. IFRS 16 impact (EUR +0.2Mn in 2019 Rec. EBITDA)

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	17.9	
+ Minority Interests	-	12m Results 2019
+ Provisions & Other L/T Liabilities	1.0	12m Results 2019
+ Net financial debt	15.6	12m Results 2019
- Financial Investments	0.1	12m Results 2019
+/- Others		
Enterprise Value (EV)	34.4	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2020	n.a.	10.00	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
23-Dec-2019	n.a.	8.45	n.a.	n.a.	Initial Coverage	Ana Isabel González García, CIIA