

12m Results 2018

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

Lingotes Especiales is a small Spanish industrial company specialising in the design, development, casting and machining of steel components, mainly for use in the automotive industry, where it is a market leader in braking systems (60% sales) with a 12% market share in Europe.

Market Data

Market Cap (Mn EUR and USD)	150.0	170.5
EV (Mn EUR and USD)	161.9	184.1
Shares Outstanding (Mn)	10.0	
-12m (High/Avg/Low EUR)	20,70 / 16,06 / 11,00	
Daily Avg vol. (-12m Mn EUR)	0.1	
Rotation ⁽²⁾	23.0	
Thomson Reuters / Bloomberg	LGT.MC / LGT SM	

Shareholders Structure (%)

Board of Directors	55.0
Mallorquina de Seguros	6.0
Free Float	39.0

Relative performance -5y (Base 100)



Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	2.9	12.6	-13.8	369.7
vs Ibex 35	0.5	10.5	-8.6	412.0
vs Ibex Small Cap Index	1.7	7.3	-10.0	303.0
vs Eurostoxx 50	-2.1	8.2	-10.1	348.4
vs Sector benchmark ⁽³⁾	0.5	7.5	8.5	381.3

(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) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(3) vs Stoxx Europe 600 Auto & Auto Parts.

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

In line (though 4Q is a wake-up call)

NO SURPRISES IN REVENUE +10.3% (EUR 114.9Mn; in line with our estimates), showing much higher growth than for the European automotive market (+0.1% according to ACEA), with a deceleration of demand in the second half of the year due to structural changes in the sector: (i) emissions regulations in Europe, (ii) protectionist threats in the US and (iii) the loss of cyclical traction in Europe which gave rise to numerous profit warnings by automotive and component companies. We highlight the 2p.p. increase in the weighting of machined parts vs the previous year (63% vs 61%), confirming the trend for a change in the mix towards higher value added products.

INCREASE IN EBITDA (ALTHOUGH SMALLER THAN EXPECTED) +8.2% to EUR 18.1Mn (-5.5% vs est.), mainly explained by a less profitable parts mix in the second half (gross margin -2.0p.p. vs est.), resulting in a 0.3p.p reduction in the EBITDA margin and demonstrating the difficulty in improving the margin from current levels despite the increase in machined parts in the mix.

BALANCE SHEET STRENGTH "BEYOND DOUBT" (ND/EBITDA 0.9x) despite the increase in net debt (+ EUR 6.3Mn vs 2017) mainly due to the high CAPEX investment made by the company (+ EUR 3.2Mn vs est.).

CAPEX CONTINUES TO HOLD BACK THE RECOVERY OF FCF. In 2018, LGT's investment on improving its machining and casting lines was larger than expected (EUR 11.5Mn; 39% higher than we had estimated), holding back the recovery of FCF (EUR 2.8Mn). In the mid term, this investment plan will be concluded, which we expect to lead to a rebound in FCF in 2019.

WE MAINTAIN OUR NUMBERS. In the light of slightly worse than estimated results. But we do not lose sight of the possibility that 4Q's very bad results (-7% in revenues vs 4Q 2017) could be an early sign of the effects of a cyclical downturn.

	2018 (Real)	2018 (Est.)	Real vs Est	2017	2018 (Real) vs 017	2018 (Est.) vs 017	4T018	4T018 vs 4T017
Total Revenues	114.9	117.8	-2.5%	104.2	10.3%	13.1%	26.1	-7.0%
Rec. EBITDA	18.1	19.1	-5.5%	16.7	8.2%	14.5%	3.8	-29.9%
<i>Rec. EBITDA / Rev.</i>	15.7%	16.2%	-0.5 p.p.	16.0%	-0.3 p.p.	0.2 p.p.	14.6%	-4.8 p.p.
EBITDA	18.1	19.1	-5.5%	16.7	8.2%	14.5%	3.8	-29.9%
<i>EBITDA / Rev.</i>	15.7%	16.2%	-0.5 p.p.	16.0%	-0.3 p.p.	0.2 p.p.	14.6%	-4.8 p.p.
EBIT	12.8	13.8	-7.2%	12.4	3.7%	11.7%	n.a.	n.a.
NP	9.2	10.2	-9.7%	8.9	3.0%	14.1%	n.a.	n.a.
Ordinary NP	9.2	10.2	-9.7%	8.9	3.0%	14.1%	n.a.	n.a.
Rec. FCF	2.8	5.2	-46%	-1.1	n.a.	n.a.		
<i>Rec. FCF Yield</i>	1.9%	3.5%	-1.6 p.p.	n.a.	n.a.	n.a.		
Net Debt	17.0	12.5	36%	10.7	59%	17%		
ND / EBITDA	0.9 x	0.7 x	0.3 x	0.6 x	0.3 x	0.0 x		

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-mar-2019	n.a.	15.00	n.a.	n.a	12m Results 2018	David López Sanchez
22-nov.-2018	n.a.	12.68	n.a.	n.a	Initiation of Coverage	David López Sánchez