

3m Results 2019

 Opinion ⁽¹⁾: In line.

 Impact ⁽¹⁾: We will maintain our estimates.

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Business description

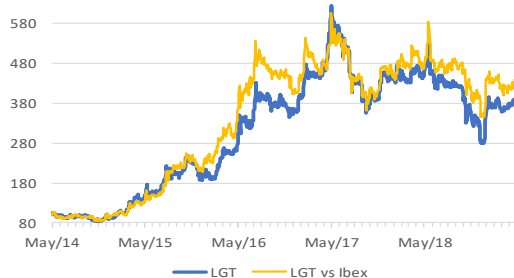
Lingotes Especiales (LGT) is a small Spanish industrial company specialising in the design, development, casting and machining of steel components, mainly for use in the automotive industry, where it is a market leader in braking systems (60% sales) with a 12% market share in Europe.

Market Data

Market Cap (Mn EUR and USD)	154.5	173.6
EV (Mn EUR and USD)	172.6	193.9
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Min EUR)	20.70 / 15.49 / 11.00	
Daily Avg volume (-12m Mn)	0.12	
Rotation ⁽²⁾	19.65	
Thomson Reuters / Bloomberg	LGT.MC / LGT SM	
Close fiscal year	31-Dec	

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	5.8	6.3	-13.2	n.a.
vs Ibex 35	9.2	3.2	-2.5	n.a.
vs Ibex Small Cap Index	3.8	5.2	-2.1	n.a.
vs Eurostoxx 50	7.8	-0.9	-7.8	n.a.
vs Sector benchmark ⁽³⁾	9.3	-1.6	11.1	n.a.

(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 Eurostoxx 600 Automobiles & Parts.

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

Facing a challenging environment

REVENUE REMAINED STABLE VS 1Q18 (-0.2%) despite the turbulent state of the automotive industry throughout 1Q19 (with demand for vehicles falling 3.3% in the EU), where the uncertainties underlined in 2H18 remain present: emissions regulations in Europe, protectionist threats in the US and the loss of cyclical traction.

WITH SLIGHTLY LOWER EBITDA THAN IN 1Q18 (-5.7%) at EUR 4.9Mn (vs 5.2Mn in 1Q18), and a c. 1p.p. reduction in the EBITDA margin vs 1Q18 due to the sector backdrop (although the margin did recover slightly vs the poor figure for 4Q18), pointing to a certain resilience of LGT's business model, with machined parts (higher added value) accounting for 62% of the revenue mix.

INVESTMENTS "CONCLUDED" LGT has implemented an aggressive investment plan in the last three years in order to improve its machining and casting lines, holding back the recovery of FCF in 2018 (Capex EUR 11.5Mn). In the mid term, this investment plan will have been concluded, which we expect to lead to a rebound in FCF in 2019e (c. EUR 12Mn).

WITH AN ATTRACTIVE DIVIDEND YIELD. At the AGM, shareholders approved the payment of a EUR 7Mn dividend (EUR 0.7/share) with a payment date of 6 June 2019, which represents a pay-out of c. 76% (a yield of over 4.5%), compatible with the company's solid capital structure (ND/EBITDA < 1x).

OUR ESTIMATES ARE UNCHANGED in the light of results that were in line in terms of revenue, but which disappointed in respect of PBT (-10.4% vs 1Q18) although there has been somewhat of a recovery vs the poor results reported in 4Q18 (a 1.4p.p. improvement in the EBITDA margin), which we expect to result in EBITDA of c. EUR 21Mn in 2019e. Even so, we will continue to monitor the uncertain macro scenario and the turbulent sector backdrop.

EUR Mn	1Q19	1Q18	1Q19 vs 1Q18	2019e	2019e vs 2018
Total Revenues	31.0	31.1	-0.2%	122.0	5.6%
	0	0	0.0%	0	0
Rec. EBITDA	4.9	5.2	-5.7%	21.0	15.6%
<i>Rec. EBITDA / Rev.</i>	<i>15.9%</i>	<i>16.9%</i>	<i>-0.9 p.p.</i>	<i>17.2%</i>	<i>1.5 p.p.</i>
EBITDA	4.9	5.2	-5.7%	21.0	15.6%
<i>EBITDA / Rev.</i>	<i>15.9%</i>	<i>16.9%</i>	<i>-0.9 p.p.</i>	<i>17.2%</i>	<i>1.5 p.p.</i>
EBT	3.4	3.8	-10.4%	15.4	26.0%
NP	n.a.	n.a.	n.a.	11.6	26.1%
Ordinary NP	n.a.	n.a.	n.a.	11.6	26.1%
	0	0	0	0	0
Net Debt	n.a.	n.a.	n.a.	12.1	-29%
ND / EBITDA	n.a.	n.a.	n.a.	0.6 x	-0.3 x

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
13-May-2019	n.a.	15.45	n.a.	n.a.	3m Results 2019	David Lopez Sanchez
01-Mar-2019	n.a.	15.00	n.a.	n.a.	12m Results 2018	David Lopez Sanchez
22-Nov-2018	n.a.	12.68	n.a.	n.a.	Initial Coverage	David Lopez Sanchez