

EQUITY - SPAIN

Sector: Machinery

 Closing price: EUR 13.20 (23 Mar 2023)
 Report date: 24 Mar 2023 (08:00h)

Estimates downgrade

Independent Equity Research

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 (30% of revenue) and is controlled by its core shareholders (c.75% of capital).

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High cash flow generation capacity, despite the backdrop. 2023e FCF yield > 10%

THE CURRENT ENVIRONMENT WILL SLOW GROWTH. The current context of inflation and rising interest rates dampens growth prospects for DESA's core markets (Spain, Portugal and France that account for c. 70% of revenue). This, together with tougher competition (due to the re-opening of China), warrants a more conservative stance in terms of revenue, especially in the international business (c. 30% of revenue).

WE DOWNGRADE OUR ESTIMATES. Summarising, our numbers today point to a repetition of 2022 revenue in 2023e (EUR 50Mn; -6% vs previous estimate) and also of EBITDA (EUR 5.3Mn; -18% vs previous estimate). Focusing on 2025e, we estimate mid-single digit growth (+5.7% CAGR 23e-25e) driven by the agricultural division (with a higher margin) that, together with proven cost efficiency, will allow for expansion of the EBITDA/Sales margin to 12% in 2025e (+1.5p.p. vs 2023e). EBITDA 2025e: c. EUR 7Mn (+13.4% CAGR 23e-25e).

CAPACITY FOR CASH FLOW GENERATION WILL REMAIN HIGH. DESA is a company that does not require significant investments (CAPEX 23e: EUR 1Mn, falling to EUR 0.5Mn/year in 2024e and 2025e; in line with amortisation). This, despite the increase in the cost of debt to c. 4% (+2p.p. vs 2022), will enable DESA to maintain a high capacity to convert EBITDA in cash (c. 50%). 2023E Recurrent Free Cash Flow: EUR 2.4Mn.

AND DEBT WILL REMAIN UNDER CONTROL (23E ND/EBITDA: 2.4X). We estimate 2023e net debt of EUR 12.5Mn (ND/EBITDA 2.4x) that will gradually decrease to EUR 9.4Mn in 2025e (ND/EBITDA 1.5x). Controlled debt that will allow the company to maintain shareholder remuneration (we estimate a dividend of EUR 1.5Mn/year: 2023e payout 58%, 2023e dividend yield 6.4%).

RATIOS REMAIN ATTRACTIVE, ESPECIALLY IN TERMS OF CASH GENERATION. FCF YIELD > 10%. According to our model, that basically envisages a repetition of 2022 numbers in 2023e, DESA is trading at a 23e FCF yield > 10%. Bear in mind that our estimates envisage a "bad" year (with no growth). More optimistic estimates, such as those for 24e would imply a FCF yield of 12% and EV/EBITDA of c. 5.5x.

Market Data

Market Cap (Mn EUR and USD)	23.6	25.7
EV (Mn EUR and USD) ⁽²⁾	34.7	37.8
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Min EUR)	14.62 / 14.27 / 12.10	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.2	
Factset / Bloomberg	DESA-ES / DESA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

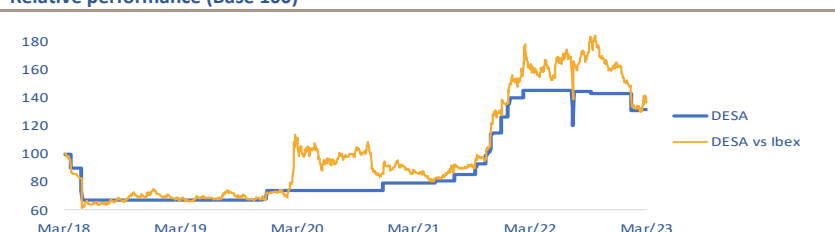
Maden S.A.	29.9
SARM S.A.	20.0
Gestión Ixua S.L.	16.3
Board Members	8.9
Free Float	24.9

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	1.8	1.8	1.8	1.8
Total Revenues	50.4	50.8	53.9	56.8
Rec. EBITDA	5.2	5.3	6.2	6.8
% growth	-10.7	1.6	17.2	9.7
% Rec. EBITDA/Rev.	10.4	10.4	11.5	12.0
% Inc. EBITDA sector ⁽⁴⁾	13.0	15.3	14.0	13.1
Net Profit	3.6	2.6	3.3	3.8
EPS (EUR)	2.01	1.45	1.85	2.14
% growth	-4.9	-28.0	28.1	15.8
Ord. EPS (EUR)	2.01	1.45	1.85	2.14
% growth	-4.9	-28.0	28.1	15.8
Rec. Free Cash Flow ⁽⁵⁾	-0.6	2.5	2.8	3.3
Pay-out (%)	55.8	58.0	45.3	39.2
DPS (EUR)	1.12	0.84	0.84	0.84
Net financial debt	13.0	12.5	11.2	9.4
ND/Rec. EBITDA (x)	2.5	2.4	1.8	1.4
ROE (%)	20.6	13.3	16.0	16.9
ROCE (%) ⁽⁵⁾	10.3	9.4	11.4	12.7

Ratios & Multiples (x)⁽⁶⁾

	2022	2023e	2024e	2025e
P/E	6.6	9.1	7.1	6.2
Ord. P/E	6.6	9.1	7.1	6.2
P/BV	1.2	1.2	1.1	1.0
Dividend Yield (%)	8.5	6.4	6.4	6.4
EV/Sales	0.69	0.68	0.64	0.61
EV/Rec. EBITDA	6.6	6.5	5.6	5.1
EV/EBIT	8.6	8.5	6.9	6.1
FCF Yield (%) ⁽⁵⁾	n.a.	10.4	11.8	14.1

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.2	-8.0	-9.4	-8.0	77.7	31.5
vs Ibex 35	3.1	-15.2	-15.8	-15.6	23.4	37.7
vs Ibex Small Cap Index	6.9	-16.0	-4.8	-17.4	4.0	18.7
vs Eurostoxx 50	1.4	-16.6	-16.6	-17.1	5.0	3.1
vs Sector benchmark ⁽⁴⁾	-1.8	-19.7	-3.6	-19.4	-20.5	-15.1

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

(4) Sector: Europe Industrial Machinery.

(5) Multiples and ratios calculated over prices at the date of this report.

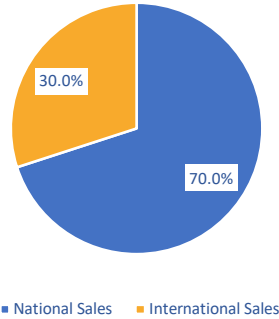
(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Estimates downgrade
Table 1. Estimates Review

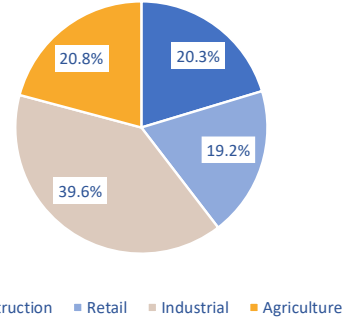
EUR Mn	2023e (New)	2023e	Review (%)	2024e (New)	2024e	Review (%)	2025e (New)
Total Revenues	50.8	53.7	-5.4%	53.9	55.2	-2.4%	56.8
Recurrent EBITDA	5.3	6.5	-18.2%	6.2	7.0	-10.6%	6.8
<i>Recurrent EBITDA growth</i>	<i>1.6%</i>	<i>8.8%</i>	<i>-7.2 p.p.</i>	<i>17.2%</i>	<i>7.3%</i>	<i>10.0 p.p.</i>	<i>9.7%</i>
<i>Rec. EBITDA/Revenues</i>	<i>10.4%</i>	<i>12.1%</i>	<i>-1.6 p.p.</i>	<i>11.5%</i>	<i>12.6%</i>	<i>-1.1 p.p.</i>	<i>12.0%</i>
EBIT	4.1	5.3	-22.2%	5.0	5.7	-12.3%	5.7
Net Profit	2.6	4.1	-36.7%	3.3	4.5	-26.1%	3.8
Recurrent Free Cash Flo	2.5	3.4	-28.2%	2.8	4.0	-30.2%	3.3
<i>ND / EBITDA</i>	<i>2.4 x</i>	<i>1.2 x</i>	<i>1.2 x</i>	<i>1.8 x</i>	<i>0.7 x</i>	<i>1.1 x</i>	<i>1.4 x</i>

La compañía en 8 gráficos

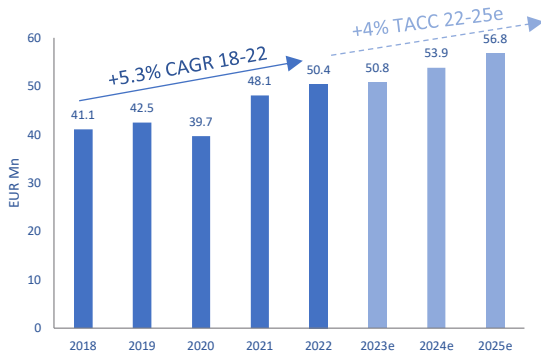
A diversified business: sales from outside Spain (basically Europe) already account for 30%



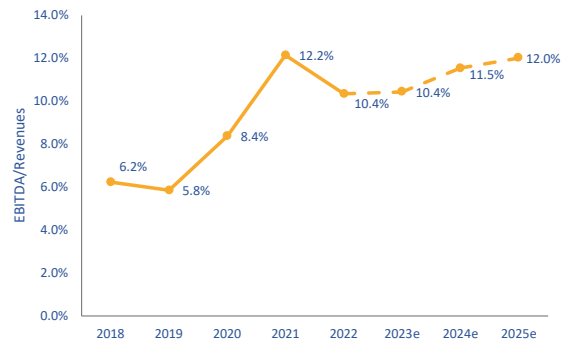
Positioned in the agricultural market (21% of revenue), its main (mid-term) growth driver



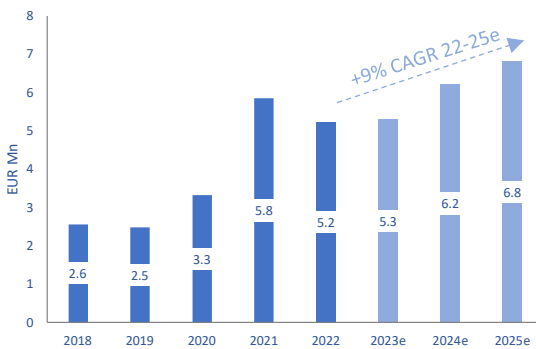
2022-2025e: Mid-single-digit revenue growth (+4% CAGR 2022-2025e), in line with that seen in the last 5 years



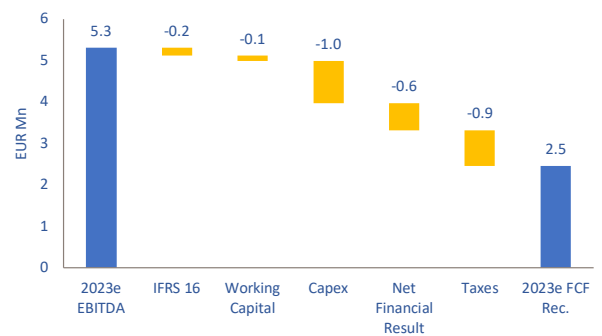
Maintaining an EBITDA margin of > 10% (with the ability to recover levels of c. 12%, in line with 2021 highs)



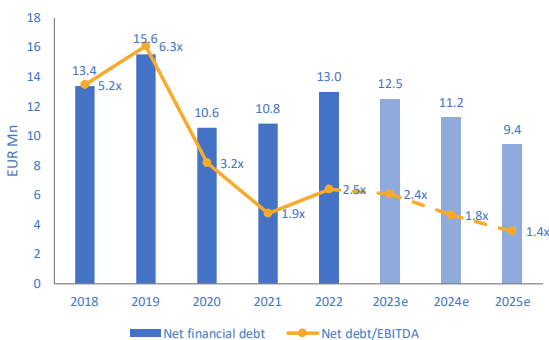
EBITDA 2022-2025e: +9% CAGR



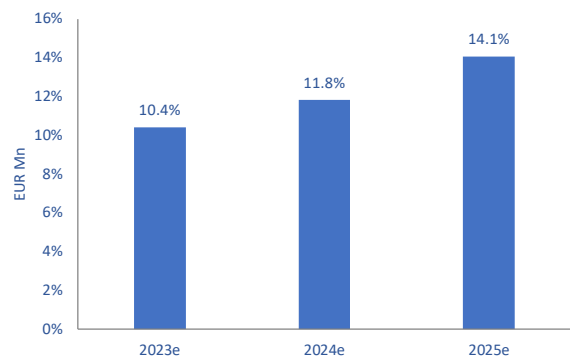
With the capacity to convert c. 50% of EBITDA in FCF



The improvement in debt metrics (ND/EBITDA < 1.5x) backs the ability to invest (in non-organic growth too)



FCF Yield > 10% over the entire estimated period



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	2.9	3.2	3.7	63.0		
Market Cap	23.6	At the date of this report				
Net financial debt	13.0	Debt net of Cash (12m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.3%	Net debt cost			4.0%	4.5%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.4%	Kd = Cost of Net Debt * (1-T)			3.2%	3.6%
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.2	B (own estimate)			1.1	1.3
Cost of Equity	10.5%	Ke = Rf + (R * B)			9.3%	11.7%
Equity / (Equity + Net Debt)	64.5%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	35.5%	D			=	=
WACC	8.0%	WACC = Kd * D + Ke * E			7.2%	8.8%
G "Fair"	1.5%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Norma Group SE	NOEJ-DE	799.7	9.6	25.9%	7.5	13.6%	1.0	4.5%	12.8%	1.6%	n.a.
Granges AB	GRNG-SE	800.6	12.1	32.1%	6.4	12.1%	0.6	8.5%	8.6%	9.2%	20.7%
Trifast Plc	TRI-GB	109.3	11.8	36.6%	8.2	23.3%	0.6	5.2%	7.6%	n.a.	90.1%
Broad Range players			11.2	31.5%	7.4	16.4%	0.7	6.0%	9.7%	5.4%	55.4%
Georg Fischer AG	GF-CH	5,603.7	18.8	10.4%	10.6	7.3%	1.4	4.8%	12.9%	5.0%	6.2%
Bossard Holding AG	BOSN-CH	1,847.4	17.3	11.3%	12.7	10.1%	1.8	4.9%	14.1%	4.5%	11.0%
Bufab AB	BUFAB-SE	883.3	17.5	14.3%	11.3	6.7%	1.6	4.3%	14.0%	11.8%	-10.0%
SFS Group AG	SFSN-CH	4,382.1	15.1	8.0%	9.5	6.1%	1.5	3.8%	16.2%	3.9%	29.4%
Barnes Group Inc	B-US	1,766.2	17.6	12.4%	9.5	7.8%	1.8	4.8%	19.3%	5.7%	20.5%
Highg Tech Specialty players			17.2	11.3%	10.7	7.6%	1.6	4.5%	15.3%	6.2%	11.4%
DESA	DESA-ES	23.6	9.1	21.8%	6.5	13.4%	0.7	5.7%	10.4%	10.4%	16.3%

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	12.7%	6.9	5.1x
Central	11.5%	6.2	5.6x
Min	10.3%	5.6	6.2x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	0.9%	1.0%	1.1%		Max	Central	Min
6.9	3.5	3.4	3.4	Max	14.8%	14.6%	14.3%
6.2	2.8	2.8	2.7	Central	12.0%	11.8%	11.6%
5.6	2.2	2.1	2.1	Min	9.3%	9.1%	8.8%

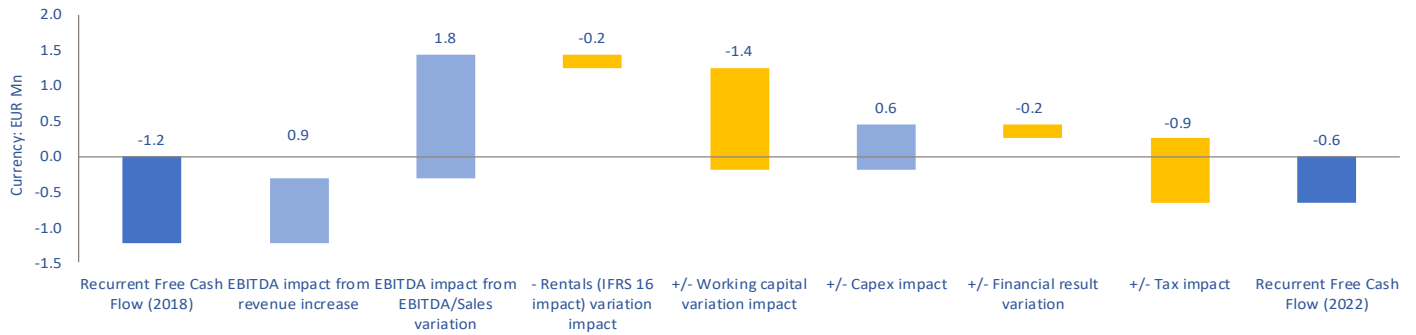
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e		
Intangible assets	0.6	1.1	0.5	0.6	0.6	0.6	0.6	0.6		
Fixed assets	11.4	13.0	13.9	12.3	13.7	13.6	13.2	12.8		
Other Non Current Assets	2.0	1.7	1.5	1.3	2.4	2.4	2.4	2.4		
Financial Investments	0.0	0.0	0.0	1.4	1.0	1.0	1.0	1.0		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	22.2	22.7	19.5	26.3	26.1	26.3	27.9	29.3		
Total assets	36.2	38.5	35.4	41.8	43.7	43.9	45.0	46.1		
Equity	12.7	12.5	13.5	15.6	19.1	19.7	21.5	23.9		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.7	0.6	1.4	1.4	1.5	1.5	1.5	1.5		
Other Non Current Liabilities	-	0.4	0.3	0.5	0.3	0.3	0.3	0.3		
Net financial debt	13.4	15.6	10.6	10.8	13.0	12.5	11.2	9.4		
Current Liabilities	9.3	9.4	9.6	13.5	9.8	9.8	10.4	11.0		
Equity & Total Liabilities	36.2	38.5	35.4	41.8	43.7	43.9	45.0	46.1		
CAGR										
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	41.1	42.5	39.7	48.1	50.4	50.8	53.9	56.8	5.3%	4.0%
<i>Total Revenues growth</i>	7.9%	3.5%	-6.7%	21.3%	4.8%	0.8%	6.0%	5.3%		
COGS	(24.5)	(25.7)	(23.8)	(28.8)	(31.4)	(31.6)	(33.0)	(34.6)		
Gross Margin	16.6	16.8	15.9	19.3	19.0	19.2	20.9	22.1	3.6%	5.2%
<i>Gross Margin/Revenues</i>	40.3%	39.6%	40.0%	40.2%	37.8%	37.8%	38.8%	39.0%		
Personnel Expenses	(7.7)	(7.8)	(7.3)	(7.7)	(7.8)	(7.8)	(8.1)	(8.4)		
Other Operating Expenses	(6.3)	(6.5)	(5.3)	(5.8)	(6.0)	(6.1)	(6.5)	(6.9)		
Recurrent EBITDA	2.6	2.5	3.3	5.8	5.2	5.3	6.2	6.8	19.5%	9.3%
<i>Recurrent EBITDA growth</i>	16.0%	-2.9%	33.9%	75.8%	-10.7%	1.6%	17.2%	9.7%		
<i>Rec. EBITDA/Revenues</i>	6.2%	5.8%	8.4%	12.2%	10.4%	10.4%	11.5%	12.0%		
Restructuring Expense & Other non-rec.	-	(0.1)	(0.5)	-	-	-	-	-		
EBITDA	2.6	2.4	2.8	5.8	5.2	5.3	6.2	6.8	19.5%	9.3%
Depreciation & Provisions	(1.0)	(1.0)	(1.2)	(1.1)	(1.0)	(1.0)	(1.0)	(1.0)		
Capitalized Expense	0.1	0.0	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
EBIT	1.7	1.2	1.4	4.6	4.1	4.1	5.0	5.7	24.7%	11.7%
<i>EBIT growth</i>	32.9%	-27.1%	15.6%	222.0%	-10.8%	0.8%	22.8%	12.6%		
<i>EBIT/Revenues</i>	4.1%	2.9%	3.6%	9.5%	8.1%	8.1%	9.3%	10.0%		
Impact of Goodwill & Others	-	-	-	-	1.1	-	-	-		
Net Financial Result	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.6)	(0.6)	(0.6)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	1.5	1.1	1.2	4.3	4.8	3.4	4.4	5.1	33.2%	2.3%
<i>Ordinary Profit Growth</i>	43.7%	-29.7%	17.0%	248.7%	9.8%	-27.8%	28.1%	15.8%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	1.5	1.1	1.2	4.3	4.8	3.4	4.4	5.1	33.2%	2.3%
Tax Expense	(0.3)	(0.3)	(0.3)	(0.6)	(1.2)	(0.9)	(1.1)	(1.3)		
<i>Effective Tax Rate</i>	19.0%	23.8%	27.4%	13.4%	25.0%	25.0%	25.0%	25.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	1.2	0.8	0.9	3.8	3.6	2.6	3.3	3.8	30.7%	2.3%
<i>Net Profit growth</i>	49.1%	-33.8%	11.6%	315.6%	-4.8%	-27.9%	28.1%	15.8%		
Ordinary Net Profit	1.2	0.9	1.3	3.8	3.6	2.6	3.3	3.8	30.7%	2.3%
<i>Ordinary Net Profit growth</i>	49.1%	-27.7%	42.4%	198.0%	-4.8%	-27.9%	28.1%	15.8%		
CAGR										
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						5.3	6.2	6.8	19.5%	9.3%
Rentals (IFRS 16 impact)						(0.2)	(0.2)	(0.2)		
Working Capital Increase						(0.1)	(1.0)	(0.9)		
Recurrent Operating Cash Flow						5.0	5.0	5.7	33.6%	56.1%
CAPEX						(1.0)	(0.5)	(0.6)		
Net Financial Result affecting the Cash Flow						(0.6)	(0.6)	(0.6)		
Tax Expense						(0.9)	(1.1)	(1.3)		
Recurrent Free Cash Flow						2.5	2.8	3.3	14.7%	92.3%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						2.5	2.8	3.3	14.7%	92.3%
Capital Increase						-	-	-		
Dividends						(2.0)	(1.5)	(1.5)		
Net Debt Variation						(0.5)	(1.3)	(1.8)		

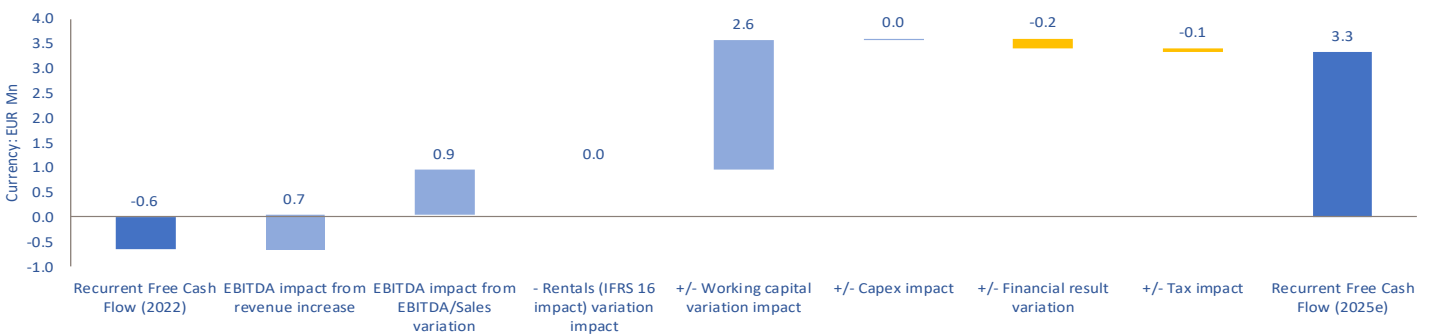
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	2.5	3.3	5.8	5.2	5.3	6.2	6.8	28.1%	9.3%
<i>Recurrent EBITDA growth</i>	-2.9%	33.9%	75.8%	-10.7%	1.6%	17.2%	9.7%		
<i>Rec. EBITDA/Revenues</i>	5.8%	8.4%	12.2%	10.4%	10.4%	11.5%	12.0%		
- Rentals (IFRS 16 impact)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(0.4)	3.4	(2.9)	(3.5)	(0.1)	(1.0)	(0.9)		
= Recurrent Operating Cash Flow	1.9	6.5	2.8	1.5	5.0	5.0	5.7	-7.2%	56.1%
<i>Rec. Operating Cash Flow growth</i>	298.6%	245.8%	-57.5%	-45.6%	231.4%	1.2%	13.3%		
<i>Rec. Operating Cash Flow / Sales</i>	4.4%	16.4%	5.7%	3.0%	9.8%	9.4%	10.1%		
- CAPEX	(2.5)	(1.9)	(0.7)	(0.6)	(1.0)	(0.5)	(0.6)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.2)	(0.2)	(0.4)	(0.6)	(0.6)	(0.6)		
- Taxes	(0.3)	(0.3)	(0.5)	(1.2)	(0.9)	(1.1)	(1.3)		
= Recurrent Free Cash Flow	(1.0)	4.1	1.4	(0.6)	2.5	2.8	3.3	14.6%	92.3%
<i>Rec. Free Cash Flow growth</i>	15.2%	490.0%	-65.3%	-146.1%	478.1%	13.5%	19.1%		
<i>Rec. Free Cash Flow / Revenues</i>	n.a.	10.3%	2.9%	n.a.	4.8%	5.2%	5.9%		
- Restructuring expenses & others	(0.1)	(0.5)	-	-	-	-	-		
- Acquisitions / + Divestments	-	0.3	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(1.1)	3.9	1.4	(0.6)	2.5	2.8	3.3	17.1%	92.3%
<i>Free Cash Flow growth</i>	7.1%	437.6%	-63.4%	-146.1%	478.1%	13.5%	19.1%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	n.a.	17.2%	6.0%	n.a.	10.4%	11.8%	14.1%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	16.3%	6.0%	n.a.	10.4%	11.8%	14.1%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Recurrent FCF(FY - 1)	(1.2)	(1.0)	4.1	1.4	(0.6)	2.5	2.8		
EBITDA impact from revenue increase	0.1	(0.2)	0.7	0.3	0.0	0.3	0.3		
EBITDA impact from EBITDA/Sales variation	(0.2)	1.0	1.8	(0.9)	0.0	0.6	0.3		
= Recurrent EBITDA variation	(0.1)	0.8	2.5	(0.6)	0.1	0.9	0.6		
- Rentals (IFRS 16 impact) variation impact	(0.2)	0.0	-	-	-	-	-		
+/- Working capital variation impact	1.7	3.8	(6.3)	(0.6)	3.4	(0.9)	0.1		
= Recurrent Operating Cash Flow variation	1.4	4.6	(3.7)	(1.3)	3.5	0.1	0.7		
+/- CAPEX impact	(1.3)	0.6	1.2	0.1	(0.4)	0.5	(0.0)		
+/- Financial result variation	0.0	(0.0)	(0.0)	(0.2)	(0.3)	0.0	0.1		
+/- Tax impact	0.0	(0.1)	(0.1)	(0.7)	0.3	(0.2)	(0.2)		
= Recurrent Free Cash Flow variation	0.2	5.1	(2.7)	(2.1)	3.1	0.3	0.5		
Recurrent Free Cash Flow	(1.0)	4.1	1.4	(0.6)	2.5	2.8	3.3		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	1.2	1.4	4.6	4.1	4.1	5.0	5.7	49.2%	11.7%
* Theoretical Tax rate	23.8%	27.4%	13.4%	25.0%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(0.3)	(0.4)	(0.6)	(1.0)	(1.0)	(1.3)	(1.4)		
Recurrent EBITDA	2.5	3.3	5.8	5.2	5.3	6.2	6.8	28.1%	9.3%
- Rentals (IFRS 16 impact)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(0.4)	3.4	(2.9)	(3.5)	(0.1)	(1.0)	(0.9)		
= Recurrent Operating Cash Flow	1.9	6.5	2.8	1.5	5.0	5.0	5.7	-7.2%	56.1%
- CAPEX	(2.5)	(1.9)	(0.7)	(0.6)	(1.0)	(0.5)	(0.6)		
- Taxes (pre- Financial Result)	(0.3)	(0.4)	(0.6)	(1.0)	(1.0)	(1.3)	(1.4)		
= Recurrent Free Cash Flow (To the Firm)	(0.9)	4.2	1.4	(0.1)	2.9	3.2	3.7	49.6%	n.a.
<i>Rec. Free Cash Flow (To the Firm) growth</i>	15.9%	553.7%	-65.7%	-108.2%	n.a.	10.4%	14.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	n.a.	10.6%	3.0%	n.a.	5.8%	6.0%	6.6%		
- Acquisitions / + Divestments	-	0.3	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(0.9)	4.5	1.4	(0.1)	2.9	3.2	3.7	49.6%	n.a.
<i>Free Cash Flow (To the Firm) growth</i>	15.9%	584.0%	-67.9%	-108.2%	n.a.	10.4%	14.9%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	n.a.	12.1%	4.1%	n.a.	8.5%	9.4%	10.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	12.9%	4.1%	n.a.	8.5%	9.4%	10.8%		

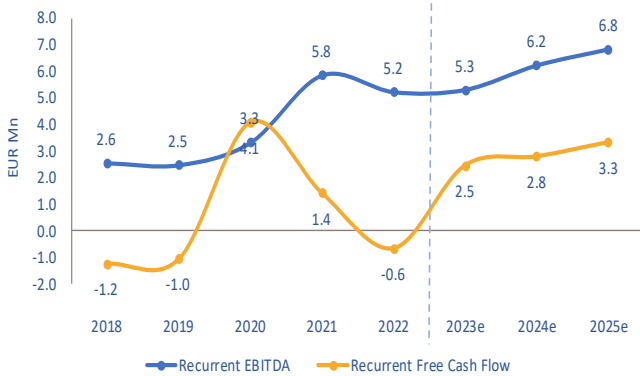
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)



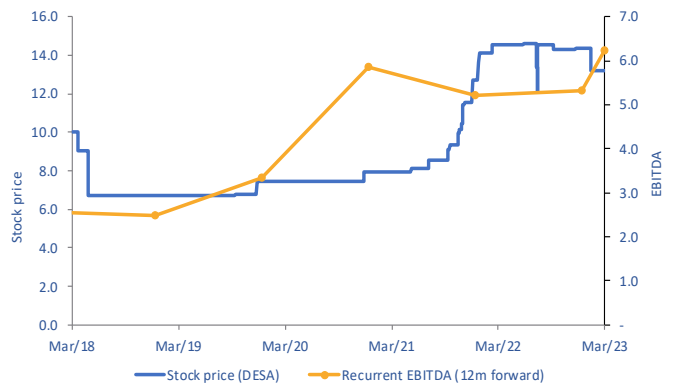
Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	23.6	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	0.6	12m Results 2022
+ Net financial debt	13.0	12m Results 2022
- Financial Investments	2.5	12m Results 2022
+/- Others		
Enterprise Value (EV)	34.7	

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	31.9	31.9	32.2	34.0	34.6	38.1	41.1	42.5	39.7	48.1	50.4	50.8	53.9	56.8	4.7%	4.0%
Total Revenues growth	-13.4%	-0.1%	1.0%	5.7%	1.7%	9.9%	7.9%	3.5%	-6.7%	21.3%	4.8%	0.8%	6.0%	5.3%		
EBITDA	(0.2)	0.4	1.2	1.2	1.9	2.2	2.6	2.4	2.8	5.8	5.2	5.3	6.2	6.8	38.3%	9.3%
EBITDA growth	-113.1%	295.2%	172.4%	-1.7%	63.7%	16.2%	16.0%	-6.8%	18.8%	106.3%	-10.7%	1.6%	17.2%	9.7%		
EBITDA/Sales	n.a.	1.4%	3.7%	3.4%	5.5%	5.8%	6.2%	5.6%	7.1%	12.2%	10.4%	10.4%	11.5%	12.0%		
Net Profit	(1.0)	(0.6)	(1.7)	(0.2)	0.6	0.8	1.2	0.8	0.9	3.8	3.6	2.6	3.3	3.8	18.9%	2.3%
Net Profit growth	n.a.	41.4%	-197.2%	91.0%	510.0%	30.6%	49.1%	-33.8%	11.6%	315.6%	-4.8%	-27.9%	28.1%	15.8%		
Adjusted number shares (Mn)	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8		
EPS (EUR)	-0.55	-0.32	-0.95	-0.09	0.35	0.46	0.69	0.46	0.51	2.11	2.01	1.45	1.85	2.14	19.0%	2.2%
EPS growth	n.a.	41.5%	n.a.	91.0%	n.a.	30.6%	49.4%	-33.8%	11.6%	n.a.	-4.9%	-28.0%	28.1%	15.8%		
Ord. EPS (EUR)	-0.28	-0.16	-0.95	-0.01	0.31	0.46	0.69	0.50	0.71	2.11	2.01	1.45	1.85	2.14	24.8%	2.2%
Ord. EPS growth	n.a.	42.5%	n.a.	98.8%	n.a.	50.0%	49.4%	-27.6%	42.4%	n.a.	-4.9%	-28.0%	28.1%	15.8%		
CAPEX	(0.1)	(0.4)	(0.5)	(0.8)	(1.1)	(1.1)	(1.3)	(2.5)	(1.9)	(0.7)	(0.6)	(1.0)	(0.5)	(0.6)		
CAPEX/Sales %	0.4%	1.2%	1.6%	2.3%	3.1%	2.8%	3.0%	5.9%	4.9%	1.5%	1.2%	2.0%	1.0%	1.0%		
Free Cash Flow	2.9	0.6	(0.0)	(1.2)	(1.4)	0.6	(1.2)	(1.1)	3.9	1.4	(0.6)	2.5	2.8	3.3	-8.3%	92.3%
ND/EBITDA (x) ⁽²⁾	n.a.	24.9x	9.2x	10.3x	6.9x	5.7x	5.2x	6.5x	3.7x	1.9x	2.5x	2.4x	1.8x	1.4x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	29.4x	21.8x	9.8x	16.3x	15.6x	6.0x	7.1x	9.1x	7.1x	6.2x		
EV/Sales (x)	1.08x	1.06x	1.05x	1.03x	1.04x	0.93x	0.87x	0.72x	0.68x	0.56x	0.75x	0.68x	0.64x	0.61x		
EV/EBITDA (x) ⁽²⁾	n.a.	n.a.	28.6x	30.1x	19.0x	16.1x	13.9x	12.8x	9.6x	4.6x	7.2x	6.5x	5.6x	5.1x		
Absolute performance	0.0%	0.0%	0.0%	0.0%	0.0%	-3.2%	-33.1%	10.5%	6.5%	60.3%	13.2%	-8.0%				
Relative performance vs Ibx35	4.9%	-17.6%	-3.5%	7.7%	2.1%	-9.9%	-21.3%	-1.2%	26.0%	48.6%	19.8%	-15.6%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

Market data	Broad Range players				High Tech Specialty players					Average	DESA
	EUR Mn	Norma Group SE	Granges AB	Trifast Plc	Georg Fischer AG	Bossard Holding AG	Bufab AB	SFS Group AG	Barnes Group Inc		
Ticker (Factset)	NOEJ-DE	GRNG-SE	TRI-GB		GF-CH	BOSN-CH	BUFAB-SE	SFSN-CH	B-US		DESA-ES
Country	Germany	Sweden	UK		Switzerland	Switzerland	Sweden	Switzerland	USA		Spain
Market cap	799.7	800.6	109.3		5,603.7	1,847.4	883.3	4,382.1	1,766.2		23.6
Enterprise value (EV)	1,184.4	1,174.9	171.7		5,498.3	2,103.5	1,206.9	4,879.3	2,243.2		34.7
Total Revenues	1,229.9	2,122.8	275.6		4,049.0	1,171.2	764.2	3,157.3	1,223.0		50.8
Total Revenues growth	-1.1%	-2.2%	11.4%	2.7%	0.9%	1.1%	1.3%	14.8%	5.5%	4.7%	0.8%
2y CAGR (2023e - 2025e)	4.5%	8.5%	5.2%	6.0%	4.8%	4.9%	4.3%	3.8%	4.8%	4.5%	5.7%
EBITDA	157.3	183.1	20.9		521.1	165.3	107.0	511.5	236.6		5.3
EBITDA growth	n.a.	0.7%	-4.3%	-1.8%	6.8%	-0.4%	-3.5%	19.8%	5.1%	5.5%	1.6%
2y CAGR (2023e - 2025e)	13.6%	12.1%	23.3%	16.4%	7.3%	10.1%	6.7%	6.1%	7.8%	7.6%	13.4%
EBITDA/Revenues	12.8%	8.6%	7.6%	9.7%	12.9%	14.1%	14.0%	16.2%	19.3%	15.3%	10.4%
EBIT	80.3	107.1	15.3		394.6	137.7	83.6	377.8	153.9		4.1
EBIT growth	n.a.	-7.9%	12.4%	2.2%	5.9%	-3.1%	-6.6%	22.3%	19.3%	7.6%	0.8%
2y CAGR (2023e - 2025e)	25.2%	21.3%	27.6%	24.7%	9.0%	10.4%	8.0%	8.0%	9.4%	9.0%	17.6%
EBIT/Revenues	6.5%	5.0%	5.6%	5.7%	9.7%	11.8%	10.9%	12.0%	12.6%	11.4%	8.1%
Net Profit	52.0	66.1	9.7		296.0	102.2	53.5	293.8	95.2		2.6
Net Profit growth	n.a.	5.5%	-4.3%	0.6%	6.8%	-1.1%	-1.9%	9.7%	668.7%	136.4%	-27.9%
2y CAGR (2023e - 2025e)	29.5%	31.9%	33.8%	31.7%	10.4%	11.5%	13.6%	7.6%	12.3%	11.1%	21.8%
CAPEX/Sales %	4.5%	5.1%	1.8%	3.8%	4.7%	3.2%	0.7%	5.9%	3.7%	3.6%	2.0%
Free Cash Flow	13.2	73.9	(9.6)		278.0	83.4	104.4	171.2	100.5		2.5
Net financial debt	309.8	325.5	46.1		(206.6)	249.6	238.5	315.7	372.5		12.5
ND/EBITDA (x)	2.0	1.8	2.2	2.0	n.a.	1.5	2.2	0.6	1.6	1.5	2.4
Pay-out	n.a.	44.6%	37.2%	40.9%	39.0%	40.7%	30.6%	36.7%	31.5%	35.7%	58.0%
P/E (x)	9.6	12.1	11.8	11.2	18.8	17.3	17.5	15.1	17.6	17.2	9.1
P/BV (x)	0.8	1.0	0.7	0.8	3.0	4.0	2.8	2.7	n.a.	3.1	1.2
EV/Revenues (x)	1.0	0.6	0.6	0.7	1.4	1.8	1.6	1.5	1.8	1.6	0.7
EV/EBITDA (x)	7.5	6.4	8.2	7.4	10.6	12.7	11.3	9.5	9.5	10.7	6.5
EV/EBIT (x)	14.7	11.0	11.2	12.3	13.9	15.3	14.4	12.9	14.6	14.2	8.5
ROE	8.0	8.5	5.6	7.4	16.1	23.1	16.2	17.9	n.a.	18.3	13.3
FCF Yield (%)	1.6	9.2	n.a.	5.4	5.0	4.5	11.8	3.9	5.7	6.2	10.4
DPS	0.66	0.28	0.03	0.32	1.41	5.40	0.44	2.81	0.59	2.13	0.84
Dvd Yield	2.6%	3.7%	3.3%	3.2%	2.1%	2.3%	1.9%	2.5%	1.7%	2.1%	6.4%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
24-Mar-2023	n.a.	13.20	n.a.	n.a.	Estimates downgrade	David López Sánchez
28-Feb-2023	n.a.	13.17	n.a.	n.a.	12m Results 2022	David López Sánchez
30-Sep-2022	n.a.	14.32	n.a.	n.a.	6m Results 2022	David López Sánchez
19-Apr-2022	n.a.	14.56	n.a.	n.a.	Estimates upgrade	David López Sánchez
02-Mar-2022	n.a.	14.56	n.a.	n.a.	12m Results 2021	David López Sánchez
01-Oct-2021	n.a.	8.57	n.a.	n.a.	6m Results 2021	David López Sánchez
01-Mar-2021	n.a.	7.91	n.a.	n.a.	12m Results 2020 - Estimates upgrade	Ana Isabel González García, CIIA
28-Jan-2021	n.a.	7.91	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
30-Oct-2020	n.a.	7.43	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIIA
29-Sep-2020	n.a.	7.43	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
02-Jul-2020	n.a.	7.43	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
02-Mar-2020	n.a.	7.43	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
23-Dec-2019	n.a.	7.43	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

