

Full Company Report

Reason: Initiation of coverage

27 January 2022

Buy

Initiating Coverage

Share price: EUR **6.30**

closing price as of 26/01/2022

Target price: EUR **7.70**

Upside/Downside Potential **22.2%**

Reuters/Bloomberg NBIB.MC/NBI SM

Market capitalisation (EURm) **78**

Current N° of shares (m) 12

Free float **22%**

Daily avg. no. trad. sh. 12 mth (k) 10

Daily avg. trad. vol. 12 mth (k) 20.22

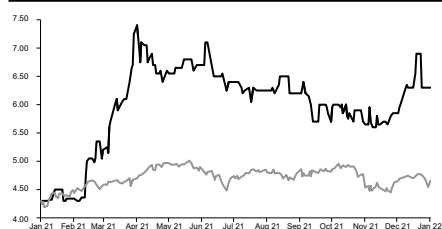
Price high/low 12 months 7.40 / 4.30

Abs Perfs 1/3/12 mths (%) 7.69/5.88/46.51

Key financials (EUR)	12/20	12/21e	12/22e
Sales (m)	24	41	49
EBITDA (m)	3	6	9
EBITDA margin	13.2%	15.5%	18.7%
EBIT (m)	1	2	5
EBIT margin	3.0%	5.3%	9.9%
Net Profit (adj.)(m)	0	1	3
ROCE	2.9%	5.3%	8.5%
Net debt/(cash) (m)	21	22	23
Net Debt Equity	1.4	1.3	1.2
Net Debt/EBITDA	6.7	3.5	2.5
Int. cover(EBITDA/Fin.int)	9.7	9.7	16.6
EV/Sales	3.2	2.4	2.0
EV/EBITDA	24.5	15.2	10.9
EV/EBITDA (adj.)	20.0	14.1	10.9
EV/EBIT	nm	44.9	20.6
P/E (adj.)	nm	nm	25.2
P/BV	3.7	4.7	4.1
OpFCF yield	-1.4%	-1.3%	2.8%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.04	0.09	0.25
BVPS	1.20	1.29	1.54
DPS	0.00	0.00	0.00

Shareholders

Pakel 38%; Teknor 15%; Global Portfolio Investments 8%;



Source: FactSet

— NBI BEARINGS EUROPE — IBEX 35 (Rebased)

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A niche player that continues to grow

NBI reached a turnover of EUR8.2m in 2015, is expected to end 2021 with EUR41m, and we estimate EUR82m in 2027 (10x). The Company's EBITDA has increased from EUR1.6m in 2015 to EUR6.3m and is estimated to reach EUR16.4m in 2027 (10.2x). NBI Bearings combines organic growth, currently in the midst of expanding capacity, both in bearings and aluminium components, and inorganic growth, having acquired a number of companies between 2016 and 2020. NBI is certifying several types of bearings with clients, and with the end of this process, is expected to greatly increase the use of its manufacturing plants. We initiate coverage on NBI Bearings Europe with a Buy recommendation and fair value of EUR7.70 per share (+22% upside potential).

- ✓ NBI is a group of companies that since 2002 focuses on the design, manufacturing and marketing of precision bearings and added value technical products for industrial sectors. Bearings are found in the majority of industrial activities and, according to Grand View Research, the market value at 2020 was USD118.7bn, and is expected to grow 8.5% per year as from 2021 to USD226.8bn in 2028
- ✓ We estimate a CAGR 2020-25e sales of 23.6% and in EBITDA of 34.1%. The 2020 EBITDA margin should increase from 13.2% to 15.5% (16.7% adjusted) in 2021 and up to 19.8% in 2025e, in line with the increasing use of production capacity in the different plants.
- ✓ In 2020, NBI acquired several companies (FKL Bearings, Industrias Metalúrgicas Galindo and Turnatorie) substantially increasing its debt. We estimate a net debt of EUR21.9m at 2021 year-end, ND/EBITDA 3.47x. If we consider the treasury stock and adjusted EBITDA, net debt/adjusted EBITDA could reach 3x in 2021.
- ✓ NBI maintains its Plan 50/22 (launched in May 2018) which includes various targets. Among the targets is to reach EUR50.98m turnover in 2022, EBITDA of EUR10.61m and EBITDA margin 20.8%. NBI's performance is positive, and our estimates point to NBI achieving the majority of its plan.
- ✓ The sector trades at an average EV/EBITDA'22 of 7.2x and EV/EBIT'22 of 11.6%, whereas NBI trades at a premium, 10.9x and 20.6x, respectively, due to the strong growth expected.
- ✓ Although NBI is in the midst of an investment phase and relevant organic growth ahead, the Company remains alert to new inorganic growth opportunities, contributing value to the Group, at a reasonable price, especially for the metal transformation unit. We may assist to concentration moves in the sector given the fragmentation with medium/small sized companies. In our opinion, NBI could also be interesting for other groups based on its margins, technology, and positioning in China.



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Investment Case

NBI is made up by a group of companies that since 2002 focuses on the **design, manufacturing and marketing of precision bearings and added-value technical products** for the industrial sectors. NBI has 8 production plants and has a strategic agreement with a Chinese bearings' manufacturer.

The rotating shaft is one of the most common applications in the world and **NBI's bearings are used in a wide variety of applications**, ranging from heavy industries, such as mining, metallurgy, pulp and paper, to renewable energy, such as wind power, as well as in automotive and commercial vehicles.

Drivers and other focus points.

The focus is on aspects such as **global economic growth and the evolution of Cronos**, in China, as the strategic supplier. The Company is **in the process of certifying parts** for several clients, which will increase the capacity utilisation of the Oquendo plant, which currently runs at low levels due to delays. NBI faces the **challenge of transferring price hikes in raw materials to customers** to recover margins.

Strategy

NBI's strategy is focused on offering bearings of the highest quality and technical requirements, having surpassed complex certifying processes, with **medium-low production runs and market niches where large companies do not reach**. NBI also offers clients the engineering of applications which is a global marketing service and the possibility of stocks for clients.

In bearings, the strategy is to focus on organic growth, maintaining the focus on possible M&A opportunities. In the rest of the industrial activities, the Company combines organic and inorganic growth.

Business structure

Group NBI is made up by four business units: **Bearings** that contribute 30% to group sales and 41% to EBITDA and another three industrial activities (**Metal Transformation, Machining and Aluminium Injection, and Machining**) allowing the vertical integration while also developing its subsidiaries' own business.

Estimates

The Oquendo plant will gain greater utilisation of its capacity, as well as the bearings manufacturing plant Ahmedabad (India), where investments have been made to improve the manufacturing process of bearings. The Romanian plant, Turnatorie, is undergoing expansion (up to 50%), and the marketing of bearings in Brazil is being substantially boosted. With these milestones, we estimate strong sales and EBITDA growths during the period 2020-25e. **Our estimates indicate a CAGR sales of 23.6% and of 34.1% in EBITDA**. We estimate EBITDA margin (13.2% in 2020) to improve up to 15.5% (16.7% adjusted) in 2021 and up to 19.8% in 2025e, in line with the increased utilisation of production capacity of the various manufacturing plants.

Financial situation

In 2020, NBI acquired several companies (FKL Bearings, Industrias Metalúrgicas Galindo and Turnatorie) substantially increasing its debt level, from ND/EBITDA 2.1x in 2019 to 6.7x in 2020. We estimate 3.5x ND/EBITDA at 2021 year-end, reducing this level substantially in 2022 to 2.46x. The Company holds 4.4% in treasury stock, not included in our net debt calculation.



NBI is focused on growth, with high volume investments in expansion, and although in the past a remuneration was paid from time to time, **dividends are not currently contemplated**.

Valuation

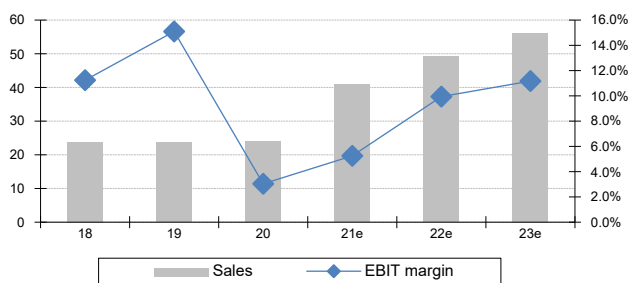
Our DCF valuation, with WACC 8.20% and $g=1.5\%$, comes to EUR7.70 per share, implying an upside potential of 22% and thus our Buy recommendation.

Risks

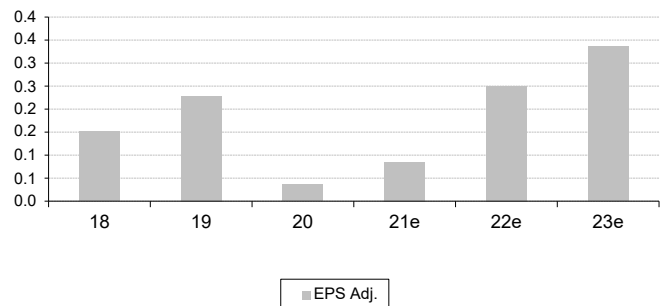
Among the main risks that could affect the Company's results are:

- China is an important market for NBI's supplies, where its main suppliers are located, such as Cronos. **Regulatory changes** that could affect, e.g., exports from China, could impact NBI's results.
- As mentioned, NBI acquired several companies. The integration could be more complicated than expected.
- The loss of competitiveness in a highly competitive scenario among suppliers
- Competition from alternate technologies (magnetic bearings).
- Reputational risk in a market.
- Termination of the supply and marketing agreement with Cronos.
- The challenge of transferring hikes in raw material costs.
- Delays in the manufacturing progress of the Oquendo plant.

Sales, EBIT margin



EPS development



Source: ESN Estimates



SWOT Analysis

Strengths

- Entry barriers. Certification and capital
- High margins: bearings and Turnatorie.
- High range of products. Plants in China, India and Europe.
- Good track record in achieving targets. Alignment of founders' interests with the rest of shareholders.

Opportunities

- High margins, with available capacity and disbursed capex: potential to grow
- Market consolidating, possible target
- Small company in a market with high growth potential
- Euro depreciation favours exports

Weaknesses

- Lower growth in Industrial Division.
- Long certification processes
- Small company, dependence on founder
- Supply purchases concentrated on few suppliers

Threats

- Competition from emerging countries
- Delays in Oquendo and India
- Certification requirements to fill plants
- Difficulty in transferring cost hikes.

Valuation of NBI Bearings Europe

DCF valuation

We have valued NBI Bearings Europe via the discounted cash flow method (DCF), using 2022 through to 2029 as the explicit years, and applying a WACC of 8.2%.

Figure 1: NBI BEARINGS EUROPE DCF

CASH FLOW (EUR m)	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Norm. Year
Net sales	11.2	21.6	23.9	23.6	23.9	40.8	49.2	56.1	62.7	68.9	75.5	81.8	86.6	90.5	93.7
% change		92%	11%	-1%	1%	71%	20%	14%	12%	10%	10%	8%	6%	5%	3.5%
EBIT	1.0	1.6	2.7	3.6	0.7	2.1	4.9	6.3	7.7	8.8	10.1	11.2	12.1	12.8	12.4
% margin	9.3%	7.4%	11.2%	15.1%	3.0%	5.3%	9.9%	11.2%	12.2%	12.8%	13.4%	13.7%	14.0%	14.2%	13.25%
Normative TaxRate	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
NOPLAT	0.8	1.2	2.0	2.7	0.5	1.6	3.7	4.7	5.8	6.6	7.6	8.4	9.1	9.6	9.3
Depreciation	0.7	1.2	2.2	1.3	2.4	4.2	4.3	4.5	4.7	4.8	5.0	5.2	5.4	5.6	5.6
Gross Operating Cash Flow	1.4	2.4	4.2	4.0	3.0	5.8	8.0	9.2	10.4	11.4	12.6	13.6	14.5	15.2	14.9
Capex	-2.8	-4.5	-1.9	-1.1	-1.5	-4.6	-6.5	-6.5	-6.5	-3.6	-3.6	-3.7	-3.7	-3.8	-3.8
Change in Net Working Capital	-2	0	1.0	-3.0	-1.9	-0.8	-1.3	-1.2	-1.2	-0.9	-1.3	-1.5	-1.3	-1.0	-1.0
Cash Flow to be discounted	-3.4	-2.2	3.3	-0.1	-0.5	0.3	0.2	1.5	2.7	7.0	7.7	8.5	9.5	10.5	10.2
DCF VALUATION (EUR m)	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Norm. Year
WACC							8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Discount Rate factor							1.00	0.92	0.85	0.79	0.73	0.67	0.62	0.58	0.53
Discounted Cash Flow							0.2	1.4	2.3	5.5	5.7	5.7	5.9	6.0	152.1
Cumulated DCF							0.2	1.6	3.9	9.4	15.1	20.8	26.8	32.8	81.0

GVC Gaesco Valores estimates

In our DCF calculation we include a CAGR for the period 2020-25e of 23.6% in sales and 7.7% for the period 2025-28e. EBITDA is estimated to reach 34.1% and 8.3% growths, respectively. We include a progressive improvement in EBITDA margin, from 15.5% in 2021e to 20.0% 2026e. During the first few years we have included relatively high investments, from 11.3% o/sales in 2021e to 4.8% in 2026e. We also estimate investments in working capital in line with sales growths. The summary of our valuation is as follows:

Figure 2: WACC

Free Risk Rate (10y Govn.Bonds)	3,5%
Company Risk Factor or Beta	1,30
Mkt Risk Premium	5,0%
Cost of Equity (Ke or COE)	10,0%
Cost of Debt (gross)	3,70%
Cost of Debt net (Kd or COD)	2,8%
Target gearing (D/(D+E)) or % kd	25%
% ke	75%
Normative Tax Rate	25%
WACC	8,2%

GVC Gaesco Valores estimates

Figure 3: DCF analysis

Cumulated DCF	32.8	29%
Perpetual Growth Rate (g)	1.5%	
Normalised Annual CF	10.2	
Terminal Value Multiple	14.9	
Terminal Value	152.1	
Discounted Rate of Terminal Value	0.53	
Discounted Terminal Value	81.0	71%
Enterprise Value NBI (EUR m)	113.8	100%

GVC Gaesco Valores estimates

Figure 4:DCF

	EUR/ acción	EBITDA21e	EV/EBITDA21e	EBITDA22e	EV/EBITDA22e	WACC	g
EV NBI Bearings Europe (m EUR)	113.8	9.2	6.3	18.0x	9.2	12.3x	8.2% 1.5%
- Consolidated net debt 21e	-21.9	-1.8					
- Employee benefits, pension deficit	0.0	0.0					
- Minority interest	-0.5	0.0					
+ Associates, jv and others	3.5	0.3		PER21e	PER22e	P/BV21e	PBV22e
EQUITY VALUE	94.9	7.7		90.4	30.7	6.0	5.0
Number shares	12.33						
Fair value per share in EUR	7.70						

GVC Gaesco Valores estimates

With this method we reach a fair value on NBI of EUR7.70 per share.

In the following sensitivity analysis, we see the effects the changes in WACC and perpetual growth rates ("g") have on our fair value.

Figure 5: DCF sensitivity to WACC-g

		g, growth				
		0.50%	1.00%	1.50%	2.00%	2.50%
WACC	7.69%	7.5	8.0	8.6	9.2	10.0
	7.94%	7.2	7.6	8.1	8.7	9.4
	8.2%	6.8	7.2	7.70	8.2	8.8
	8.44%	6.5	6.9	7.3	7.8	8.4
	8.69%	6.2	6.6	7.0	7.4	7.9

GVC Gaesco Valores estimates

Peer group multiples

SKF is the world leader in bearings and, together with other peers such as Schaeffler, Timken, NSK, NTN and JTEKT, holds 60% of the global bearings market. This is a highly fragmented market, with many companies with turnovers below EUR30m.

In the small companies' segment, NBI points out Fersa, Meter Spa and CPM Spa as companies that have grown substantially in recent years. Further on in this report we include a description of some of the more relevant companies in this sector. Worth mentioning, the certification processes in this sector are long and act as entrance barrier, although, once products are certified, it also becomes an exit barrier.

A good comparison with NBI is not easily found because the bearings business, in NBI and others, usually forms part of a group with more activities that often vary greatly. On other occasions, companies are not listed or are highly specialised in certain activities.

Figure 6: Main bearings manufacturers

EUR m	Country	Company Market Cap.	% Change YTD	% Change 1 Month	Mean EBITDA 2021	Mean EBIT Margin 2020	Mean EBIT Margin 2021	Mean EBIT Margin 2022	Mean EBITDA Margin 2021	Mean EBITDA Margin 2022	Mean Net Div Yield 2021
SKF AB Class B	SWEDEN	9,010	-5.6%	-3.6%	1,316.8	12.0%	13.4%	13.9%	17.1%	17.4%	3.5%
Schaeffler AG	GERMANY	4,296	-11.5%	-11.6%	2,186.8	6.4%	8.9%	8.8%	15.9%	15.2%	6.9%
Timken Company	USA	4,641	0.4%	2.7%	644.3	14.1%	13.6%	14.7%	17.7%	18.7%	1.7%
Regal Rexnord Corporation	USA	9,510	-6.2%	-3.9%	618.1	11.6%	14.0%	16.4%	18.4%	21.2%	0.8%
RBC Bearings Incorporated	USA	4,729	-7.8%	-9.7%	220.6	19.4%	16.7%	17.7%	27.1%	28.1%	0.0%
MinebeaMitsumi Inc.	JAPAN	8,830	-17.4%	-16.5%	1,085.6	5.2%	8.5%	9.5%	13.0%	14.1%	1.4%
NSK Ltd.	JAPAN	3,313	6.3%	5.2%	784.3	0.9%	5.4%	6.4%	11.7%	12.5%	3.1%
NTN Corporation	JAPAN	945	-3.5%	-3.0%	367.4	-0.6%	1.6%	3.3%	7.4%	8.5%	0.7%
JTEKT Corporation	JAPAN	2,579	-2.5%	-2.9%	833.9	1.3%	3.2%	4.7%	7.7%	8.7%	1.8%
Average					895.3	7.8%	9.5%	10.6%	15.1%	16.1%	2.2%
NBI Bearings Europe SA	SPAIN	78	5.0%	7.7%	6.3	3.0%	5.3%	9.9%	16.8%	18.8%	0.0%

Source: Factset 25/01/2022. GVC Gaesco Valores for NBI.

The major listed bearing manufacturers are comparatively huge companies with NBI, which, although growing very fast, only capitalises EUR78m. However, NBI's EBITDA margin for 2021-22e is above the sector average.

Figure 7: Main bearings manufacturers

EUR m	Mean Ev/Sales 2021	Mean Ev/Sales 2022	Mean Ev/EBITDA 2021	Mean Ev/EBITDA 2022	Mean Ev/EBIT 2021	Mean Ev/EBIT 2022	Mean P/E 2021	Mean P/E 2022	Mean Price/Book 2021	Mean Price/Book 2022
SKF AB Class B	1.4 x	1.2 x	8.0 x	6.6 x	10.1 x	8.3 x	12.7 x	11.4 x	2.4 x	2.1 x
Schaeffler AG	0.6 x	0.5 x	3.7 x	3.2 x	6.5 x	5.6 x	5.9 x	5.4 x	1.7 x	1.4 x
Timken Company	1.6 x	1.4 x	8.8 x	7.6 x	11.5 x	9.6 x	14.2 x	12.1 x	2.2 x	2.0 x
Regal Rexnord Corporation	3.2 x	2.1 x	17.6 x	10.1 x	23.0 x	13.1 x	18.2 x	15.2 x		
RBC Bearings Incorporated	6.9 x	3.7 x	25.3 x	13.2 x	41.3 x	20.9 x	48.3 x	32.4 x	2.3 x	2.2 x
MinebeaMitsumi Inc.	1.3 x	1.0 x	10.3 x	7.2 x	15.6 x	10.6 x	15.0 x	12.8 x	2.2 x	1.9 x
NSK Ltd.	0.6 x	0.5 x	4.9 x	4.3 x	10.5 x	8.3 x	12.1 x	9.5 x	0.7 x	0.7 x
NTN Corporation	0.6 x	0.6 x	8.7 x	6.8 x	39.8 x	17.5 x	25.1 x	10.3 x	0.7 x	0.7 x
JTEKT Corporation	0.4 x	0.4 x	5.6 x	4.3 x	13.6 x	8.1 x	13.9 x	7.7 x	0.6 x	0.5 x
Average	1.8 x	1.3 x	10.3 x	7.0 x	19.1 x	11.3 x	18.4 x	13.0 x	1.6 x	1.4 x

Source: Factset 25/01/2022.

The sector trades at an average 2022e multiple of 7.0x EV/EBITDA'22e and 11.3x EV/EBIT, whereas NBI trades at a premium, 10.9x and 20.6x respectively, due to the relevant growth expected.

An approach to the bearings sector

What are bearings?

A simple definition would be that a bearing consists of a set of balls (rollers or needle rollers) held by a cage between two rings (outer and inner), allowing one ring to rotate relative to the other. The rolling elements can be balls, rollers, or needles. **It is a mechanical element that reduces friction between a moving shaft and the parts connected to it.** Bearings have an important metallurgical component. A shaft that rotates without a bearing produces slippage with frictional losses and wear that would lead to, at least, continuous greasing of a shaft and subsequent repair.

Bearings can be radial, oblique, or axial depending on the direction of the load. Radial bearings are designed to withstand forces perpendicular to the direction of the shaft. Oblique bearings withstand both perpendicular and axial loads. Axials resist forces in the same direction as the shaft.

Figure 8: Bearings



Timken

In general, bearings are formed by four parts: inner ring, outer ring, rolling elements and cage. The **inner ring** is usually set to the shaft and rotates with the shaft. On the external surface of the inner ring there are grooves for the steel balls or rollers to roll in, called inner grooves or inner raceways. The **outer ring** is usually set to the bearing housing or machinery housing to support the rolling bodies. There are also grooves in the internal surface of the outer ring so that steel balls or rollers can roll. **Rolling elements.** Each bearing includes several rolling elements that are installed between the inner and outer rings, which have the function of transmitting the rolling force and its shape, size and number determine the capacity of bearings to support loads and high-speed operation. Rolling elements of bearings are evenly spaced by the cage, so that each rolling element rolls neatly between the inner and outer rings. The **cage** has the function of guiding the movement of rolling elements, improve the internal lubrication conditions of the bearings and preventing rolling elements from falling out.

Applications of bearings

Bearings work quietly, in difficult environments, hidden in machinery where they cannot be seen. However, these mechanisms are extremely important in the industry. Bearings reduce the friction between a shaft and components fixed to it, making movement easy. The **reliability of rotation is fundamental for several industries and bearings are one of the most used elements in the manufacturing of any type of machinery**, and also helps to save energy.

Bearings are used in automotive, wind and solar energy, trains, aeroplanes, washing machines, photocopiers, satellites, in all sectors such as paper, steel, tunnel engineering, cranes, lifting devices, construction machinery, excavators, gear manufacturing, foundries, packaging and filling machines, general engineering, extraction and processing of raw materials, bearings for machine tools, production technology, medical technology, aeronautics, aerospace, antennas and telescopes and also military engineering.

Figure 9: Paper industry bearings



Valmet, Guangxi Jingui Pulp and Paper

Figure 11: Crane, hoist & winch



Regal Rexnord

Figure 13: Wind energy



thyssenkrupp rothe erde

Figure 10: Stainless Steel industry



Acerinox

Figure 12: Packaging machinery



Regal Rexnord

Figure 14: Gear manufacturing

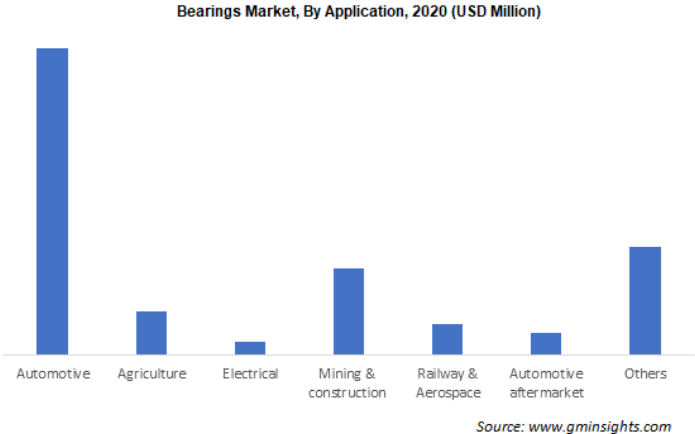


thyssenkrupp rothe erde



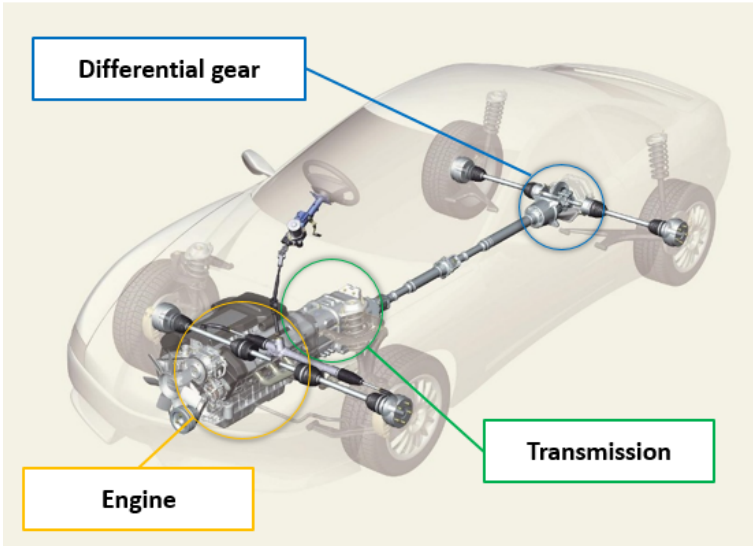
According to Grand View Research, automotive represented around 50% of the market in 2020, partly influenced by the demand for vehicles with better technological performance and a gradual rise in the secondary market demanding more bearings. The rail and aerospace segment are expected to register the highest growths until 2028 due to the need to renew ageing fleets.

Figure 15: Bearings market by application



Some indicators point to a minimum of 36 bearings in a small vehicle and up to 100-150 in more sophisticated, traditional, combustion vehicles, which is an indication of the volume involved in the automotive sector. In addition, moving vehicle parts such as windscreen wipers, bonnet hinges, etc., require bearings to operate.

Figure 16: Bearings in cars using conventional engines.



Koyo

The trend towards electrification will affect the automotive sector as the production of internal combustion cars shifts to hybrid vehicles (HEVs) and battery electric cars (BEVs), among others. According to NSK, depending on the design, the number of bearings per vehicle in HEVs is expected to increase while in BEVs it is expected to decrease.

Market perspectives

According to Grand View Research, in a study dated April 2021, the bearings market was valued at USD118.700m in 2020 and **is estimated to grow 8.5% annually as from 2021 up to USD226.8bn in 2028.**

In addition, demand for specialised bearing solutions that meet the challenges of each industry is expected to increase. Wind turbines, for example, use bearings to improve turbine performance and reliability, increase power output and reduce lubricant consumption, so it will continue to be one of the most in-demand sectors. In addition, larger turbine dimensions will require larger bearings. Manufacturers are constantly working on improving product designs to increase performance and energy efficiency. The use of lightweight materials can be another driver for the industry. This is where the acquisition of Turnatorie, which focuses on the manufacturing of aluminium parts for the automotive sector is heading. **NBI hopes to increase its aluminium expertise to develop new applications.**

Technological innovations are making it possible to incorporate sensors into bearings to digitally monitor axial movement, deceleration, acceleration, rotational speed, and a product's load capacity. Other advances will make it possible to offer bearings that can be constantly monitored to predict failures before they occur, which would reduce the cost of inactivity.

According to Freedonia data, global demand for bearings is estimated to grow 5.2% annually, up to USD100bn in 2025, following the 10-13% drop (SKF) in 2020. The largest impact was in the automotive and industrial sectors and offset by the strong growth in renewables.

A quick recovery is expected due to the improving economic conditions around the world and the recovery of global consumption expenses (from lows in 2020) and rise in the manufacturing of durable goods.

China is expected to lead growth and Asia to represent 61% of the new bearings demand during the period 2020-25. Quick growth is expected in bearings sales in the aerospace and motor vehicles segment, that in 2020 suffered a substantial drop.

Main bearings manufacturers

SKF is the world leader in bearings and together with others such as Schaeffler, Timken, NSK, NTN and JTEKT, hold 60% of the global bearings market. Chinese bearing companies (large and small) represent 20% of the market and sales are mainly in Asia. The remaining 20% includes many small, more regional and niche competitors.

Figure 17: Spherical Roller Bearing for mining application



SKF. 8 tonne bearing, diameter of 1.25 m

According to SKF, the Asian bearings market represents 50% of the total and China 30%. Europe represents 22% of the total (Germany 33% of this market) and North America 22%; whereas LatAm reaches 3% (Brazil 50%), and the Middle East and Africa make up 3%.

In 3Q21, SKF stated that the industrial sector remained in a positive momentum despite the adversities in logistics and cost inflation. Organic growth in 3Q21 reached 8%, thanks to the industrial activity (75% of the sales) that grew 13% and offset the 5% drop in automotive, impacted by the reduction in production. According to the Swedish company, growth was seen in all regions, decelerating slightly in Asia. According to SKF, for 4Q21 difficult conditions are expected due to cost inflation and logistic restrictions, although in terms of sales, the **Swedish company expects the robust demand to continue in the industrial activity.**

Figure 18: SKF Xinchang Factory Machine Hall



SKF

Figure 19: SKF Xinchang Factory

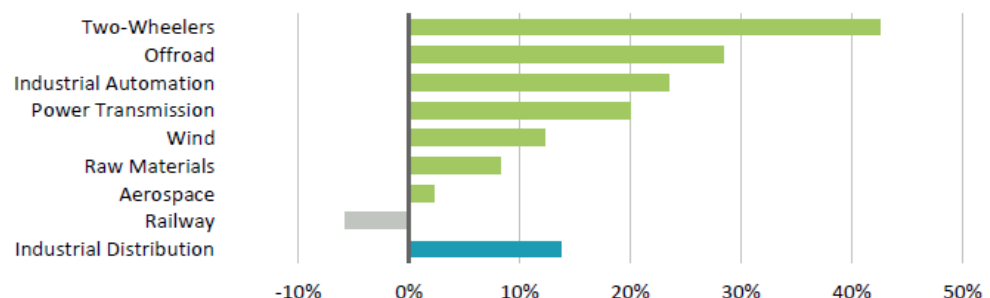


SKF

Schaeffler (Germany) has several activities: industrial (25% sales); automotive technologies (62%), and automotive maintenance (13%). The Industrial division, among various product types, includes everything from miniature bearings a few millimetres wide to large bearings with an outer diameter of several metres. **The target for this division is to move from an EBIT margin of 10.2% in 2019 to an EBIT margin of 12-14% by 2023 at the latest.** In 9M21 the EBIT margin was already at 12.1%. The company is investing in new capacity for large bearings in Nanjing (China) and in a new railway bearing hall in Brasov (Romania). Schaeffler noted in 3Q21 that wind power and railways are the sectors that are not performing as well as the other sectors, which are growing at around or well above 20%. **Schaeffler is the global market leader in large wind turbine bearings** and, although in 3Q21, the development was not good, the long-term outlook for wind energy is very positive, as wind energy is one of the backbones of CO₂ reduction and sustainable energy generation.

Figure 20: Schaeffler 9M21 sales

Industrial sales growth by sector cluster 9M 2021¹



Q3 and 9M 2021 Schaeffler AG earnings

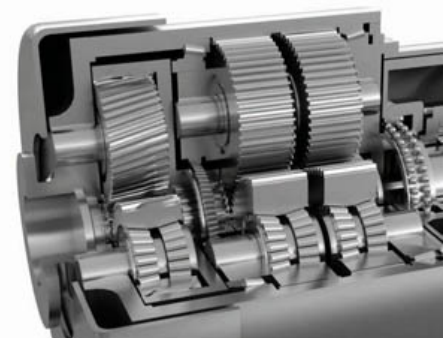
The US Timken, is renowned worldwide for its management of friction, metallurgy and power transmission. It is focused on the market for engineered bearings and power transmission products. Timken leverages its power transmission expertise to better serve customers' industrial motion needs. **In addition to bearings, they offer transmissions, automatic lubrication systems, linear motion products, chains, belts, clutches, and industrial brakes.** In 2008 it was 97% focused on bearings and has been diversifying into power transmission products. **Bearings now account for 66% of sales and power transmission 44%.** Timken has a long-term target for adjusted EBITDA margin of 20%, with an **annual organic growth rate of 3-4%**. The company expects strong demand to continue in 2022, with some supply chain issues until at least the early part of the year, which they expect to offset with pricing initiatives and other operational measures, thus expects to improve profitability in 2022.

Figure 21: Cylindrical bearings



Timken

Figure 22: Gearboxes overhaul



Timken.

Another US company is **Regal Rexnord Corporation**, that in 2020 reached USD4.1bn revenues. It is a world leader in the engineering and manufacturing of industrial powertrain solutions, power transmission components, electronic motors and controls, air movement products and specialised electronics.

In the United States, the Nasdaq listed **RBC Bearings** (ROLL) also stands out. This company was founded in 1919, is an international manufacturer and marketer of highly engineered precision bearing products. These bearings are integral to the manufacturing and operating of many machines, aeroplanes, and mechanical systems, **allowing to reduce wear on moving parts.** In addition, bearings facilitate the proper transmission of power, reduce damage and energy loss caused by friction, and control pressure and flow. RBC Bearings manufactures products in all major categories but focuses primarily on highly technical or regulated bearings and engineered products for specialised markets. RBC has 42 facilities, with factories in the US, Mexico, France, Germany, Poland, and China. The company has grown steadily, including a long history of acquisitions.

The industrial market represents 42% of the sales (tax year ending April 2021) and the aerospace market 58% during the same period, with a portion of activity oriented towards the military industry. Year 2021 (April) closed with USD609m revenues (-16.3%), and during the last 26 years its sales has grown at CAGR 8%, with EBITDA margin during the last 6 years ranging between 26% and 29%.

The **Japanese NSK** began to manufacture bearings in 1916. It has two main businesses: Industrial Machinery Business focused on industrial bearings, precision machinery and components; and the Automotive Products Business (bearings and components for automotive). In 2019 the industrial machinery activity represented 37% sales and 62% EBIT. The EBIT margin in the industrial activity evolved from 6.5% in 2016 to 12.2% in 2018, and 2.8% in 2020. EBIT margin in automotive increased from 9.3% in 2016 to 6.5% in 2018 and dropped -0.9% in 2020. NSK expects to gradually transfer 80-90% of the rise in steel prices to customers. On the other hand, the trend towards electrification will affect NSK's activity, due to the change in the manufacturing of internal combustion vehicles for hybrid (HEVs) and electric battery vehicles (BEVs) among others. **Depending on the design, the number of bearings per vehicle, are expected to increase in HEVs and to drop in BEVs.**

NTN, also Japanese, during the last three years has obtained EBIT margins of 11% in maintenance (16% sales). In the industrial machinery activity (18% sales), EBIT margins have increased from -1.8% in 2019 to 2.3% in 1H21. The automotive activity, the largest, contributed negatively during the last three years: -0.8% in 2019, -3.4% 2020 and -3.5% in 1H21.

Other Japanese companies are JTEKT, Minebea Mitsumi, the latter with EBIT margins ranging from 7.8% in 2018, 6% in 2020 and 5.2% in 2021. However, Minebea's machinery activity has obtained good EBIT margins in recent years, in some quarters rising from 18% to 27%.

Among the high number of Chinese bearing manufacturers, **Wafangdian Bearing Co., Ltd (ZWZ)** started as a company producing bearings parts and equipment. ZWZ has gradually developed into a modern company that mainly produces bearings for major technical equipment.

Figure 23: ZWZ Factory



Wafangdian Bearing

Figure 24: Factory, grinding centre



Wafangdian Bearing

Another **Chinese** company is **C&U**, among the top 10 bearings manufacturers, **with 8 plants in China, capable of producing over 30,000 types of bearings** ranging from less than 1mm in diameter up to an outer diameter of 6,000mm. C&U has experience in the supply of specialised bearings to over 40 industries such as automotive, house-hold appliances, engines, motorbikes, engineering machinery, electric tools, farming and forestry machinery, textile machinery, industrial robots, wind energy, medical equipment, etc.

Figure 25: C&U: Industrial robot



C&U. Robot bearing is a kind of bearing with special structure and requirements

Figure 26: C&U: Engineering machinery



C&U. Due to the working conditions it requires the reliability of rolling bearings.

The Chinese **BSPD Bearing** was founded in 1990. It has over 300 employees, and almost 40 patented technologies for several bearings. It has four bearing manufacturing plants in Shanghai, Ningbo, Luoyang, and Wuxi, with 55 automatic bearing production lines. It produces over 5,000 models of bearings from 1mm to 5,000mm, including deep groove ball bearings, ultra-miniature bearings, angular contact ball bearings, cylindrical roller bearings, spherical roller bearings, stainless steel bearings, etc.

QC Bearing is a division of Wanxiang America Corporation and is focused on the production of high quality bearings and components for the OEM sector and secondary market.

Other companies worth mentioning in China are Tianma Bearing Group Co Ltd, Jiangsu NanFang Bearing and Changzhou Nrb Corporation.

Zhejiang Tianma Bearing Group Co., Ltd is one of the largest bearing manufacturers in China with over 30 years of experience in marketing. The company has 5 plants, and the brand is TMB. It produces over 8,000 types of bearings. **TMB also stands out for being a Chinese bearing manufacturer with its own steel mill.**

Figure 27: Zhejiang Tianma Bearing Group Co



Zhejiang Tianma Bearing Group Co

Figure 28: Fully automatic production line



TMB

TMB manufactures cylindrical roller bearings (single and double row, four-row), deep groove ball bearings, tapered roller bearings, aligning roller bearings and aligning ball bearings, angular contact ball bearings (single and double row), etc. Target markets include aerospace, military, railway, commercial vehicle, industrial, marine, machine tool, engine and agricultural markets, to name a few

Jiangsu Nanfang Bearing focuses on the design, production and sale of needle roller bearings, one-way clutches and automotive parts for the automotive, motorbike and industrial segments.

Changzhou Nrb Corporation is located in Changzhou. Since its creation in 1994, the company focused on R+D, the manufacturing of precision bearings for automotive. The main products are needle bearings, roller bearings, clutch release bearings and hub bearings. These are used mainly in important assemblies such as automobile transmission, clutch, heavy truck axle. Customers include vehicle manufacturing groups such as FAW, Dongfeng, SAIC and major heavy truck, bus, car, and minicar transmission factories such as Shaanxi Fast Auto Drive, Qijiang Gear, SAGW and Chongqing Tsingshan.

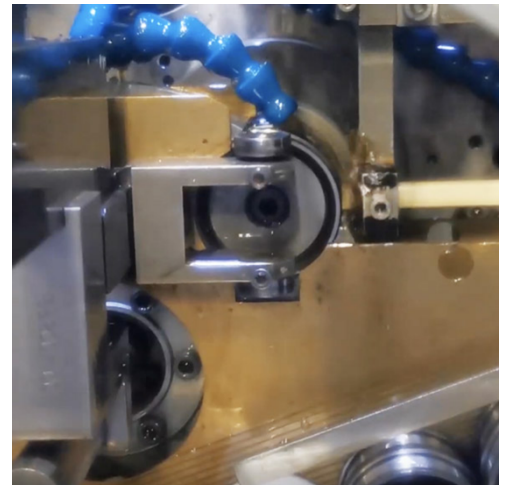
The Italian CPM SpA designs and manufactures special bearings, slewing rings and precision rings. It employs 160 people and produces over 3 million parts per year for the domestic and international market. It specialises in medium and high-volume production of bearings in a range of sizes from 10 mm inner diameter to 800 mm outer diameter. In this company, the entire production process is in-house.

Figure 29: Grinding



CPM, grinding

Figure 30: Lapping



CPM, lapping.

Another Italian company is **Meter S.p.A.**, founded in 1981 and based in Turin. It designs and produces roller and ball bearings for many different applications. It has three factories, one in Italy, in Shanghai (China) and in Walterboro, South Carolina (USA).

Distitec (Italy) is a company engaged in the design, manufacturing, and sale of special bearings. Its production is partly in-house and partly outsourced, relying on qualified and certified subcontractors. It has machine tools with a wide dimensional range according to requests for sizes, loads and overall dimensions. Distitec S.r.l. has focused on sectors such as the steel industry (with support rollers for rolling mills) and has patented a new model for cylindrical roller bearings for rolling mills: these bearings are characterised by a higher load capacity and admissible speed than traditional bearings. It also has products for handling, automation and lifting machinery (forklift trucks, palletisers), bearings for the mining and cement industry and the wind power industry.

In Spain we highlight **Fersa Group**, created in 2016 with the union of two European bearings manufacturers: Fersa Bearings, in Spain, and NKE Bearings, in Austria. Recently, the A&S Automotive Solutions brand for light vehicle applications has also been incorporated. Fersa Bearings is dedicated to the design, development, manufacturing, and distribution of complete bearing solutions for the global automotive sector, with a particular focus on commercial vehicle solutions. NKE Bearings designs and produces bearings for the industrial market focusing on mechanical transmissions, electric motors, hydraulic pumps and compressors and agricultural applications. Fersa employs around 510 people, 200 at its Plaza plant in Zaragoza, another 200 at the factory in Jiaying (China) and around 90 at the plant in Steyr (Austria). In 2019 it closed with a turnover of EUR82m and an EBITDA of around EUR9m. **In 2020, Fersa offset the decline in the automotive sector with its new commitment to wind power, achieving a turnover of EUR88m.** One of the most relevant contracts signed by Fersa is with the Chinese commercial vehicle company Dongfeng, to supply bearings for the new generation of Dongfeng-Volvo 14-speed manual gearboxes.

Thyssenkrupp Rothe Erde forms part of the international group Thyssenkrupp AG since 1992. It has 15 factories in 10 countries.

Other companies worth mentioning are the German **SLF and KRW**, and the Romanian **URB** (Rulmenti S.A., Barlad, 1,400 employees).

NBI Bearings Europe.

NBI's background

The original Company was created on 13th June 2002, by two of the current, main shareholders, Roberto Martinez with 50% and Antonio Gonzalo with 35%, and Javier Perez de Eulate with 15%. In October 2009 the Company was named NBI Bearings Europe S.A. The head office is located in Oquendo (Alava).

Initially the Company was a wholesale and retail distributor of multi-brand and multi-product bearings focused on the sale to distributors, marketing bearings, belts, and chains, selling leading brands and own brand.

In 2006 NBI began a new strategy, focusing on the high quality bearings segment and offering only own-brand products. The Company also decided to sell **directly to the final client**. This change took place because the sale of second brand bearings to distributors did not have medium-term visibility. With this change, NBI began to compete with fewer companies and in a larger market.

Thus, in 2006 the Changzhou Cronos Special Bearing Manufacture company (Cronos) was created, with the head office in China and USD7.5m capitalisation, via a joint venture with a local partner. This company focused on the vertical integration of the bearings manufacturing process. In 2007 the first bearings were manufactured and in 2009 capacity was increased, transferring all activity to this plant in 2010. The milestone that marked the company's future took place in **June 2020 with the certification of NBI's products by Bosch Rexroth**, consuming EUR150m in bearings.

In 2009-10, Cronos commercially expanded throughout China, until 2011 when the local partner increased its stake to 70% via a capital increase thus diluting NBI's stake to 30%. **NBI, maintained all the know-how of this process thanks to the creation and expansion of Cronos and focused on its Business Plan**, that included its own manufacturing strategy in Spain.

Figure 31: Oquendo plant



NBI

At the end of 2014, NBI sold its 30% stake in Cronos to NBI Bearings S.L., which had the same shareholders as NBI, although NBI Bearings, S.L. was independent from NBI's group of companies and did not form part of its consolidation perimeter, maintaining its commercial relationship as a supplier of NBI. The sale price of this 30% was EUR5.63m. The reason for this sale was to prevent fluctuations in the value of this stake from affecting future valuations on NBI.

NBI designs, manufactures and markets its brand of high-quality bearings for complex applications. It provides its suppliers with technical assistance in the manufacturing of products and sells its products through its own sales network to five strategic sectors: 1) Lifting 2) Compressors and pumps 3) Oil & Gas 4) Gearboxes 5) Agriculture.

In 2015 NBI started the construction of the plant in Oquendo (Alava) and to date has invested around EUR10m. It has 2,500 m² of production space - extendable.

In September 2016, NBI acquired several companies to achieve a vertical integration in technologies and processes necessary to manufacture the components of a bearing. **NBI acquired Egikor, Industrias Betiko and Talleres Ermua, in 2015 posting a turnover of EUR11.32m, EBITDA EUR1.42m and EBITDA margin of 12.6%.** The acquisitions were made at EV EUR4.5m (3.17x). The acquisition of this group of companies contributed additional EUR1.1m turnover in bearings.

In March 2018 NBI acquired 75% of Aida Ingenieria, with sales of c.EUR1m, specialised in fine boilermaking, construction of complex steel structures, bending processes, welding, assembly, engineering services.

2020 was an important year in terms of acquisitions.

In January 2020 NBI acquired 91.2% Industrias Metalúrgicas Galindo (Munguia, Vizcaya), and later obtained 100%. Its activity is the supply of tooling and solutions for the aeronautical and industrial sectors. In 2018 it had a turnover of EUR2.2m and an EBITDA of EUR0.43m. The transaction included a cash outlay of EUR1.5m, a capital increase of EUR1m and a net debt of EUR1.8 m. With this transaction, NBI entered the aeronautics sector, which is a high value-added sector with high entry barriers due to the required certifications. The acquisition also strengthened the machining unit, generating cross-selling.

Figure 32: FKL Bearings (NBI India)



NBI

In February 2020 NBI reached an agreement to acquire 51% FKL Bearings, located in India, with a plant in Ahmedabad. This company manufactures and markets SRB (Spherical Roller Bearings) and TRB (Taper Roller Bearings) bearings with a maximum, internal diameter of 120mm, with sales c.EUR1m, one production line and 38 employees. EUR1.5m was disbursed and a business plan was elaborated including a joint investment of EUR9m in 4 years. The aim is to develop a modern plant to sell in India and supply NBI in Europe. With these investments, three more production lines were installed as well as a heat treatment plant. **With this acquisition, sales are expected to increase in India and neighbouring countries and allows the entrance to the US market at competitive prices. The range of bearings manufactured internally also increased and dependence on third party bearings supplies decreased.**

In May 2020 NBI acquired 100% Turnatorie (Romania) which manufactures aluminium components (made by casting, injection moulding and machining) mainly for the automotive industry and the rest for general industry. In 2019 it posted sales of EUR15m and EBITDA EUR3.8m. The price of this operation rose to EUR15m and free of debt.



NBI's business units

Group NBI is made up by two divisions and four business units:

Bearings division: integrated by NBI Bearings Europe, head of the Group (R&D, manufacturing and marketing); NBI Bearings Romania (application engineering); NBI Bearings do Brazil (marketing) and NBI India (manufacturing and marketing).

Industrial Division:

- **Metal transformation:** Egikor (stamping) and Aida Ingenieria (boilermaking).
- **Machining:** Industrias Betiko (rollers), Talleres Ermua (precision machining) and Industrias Metalúrgicas Galindo (aeronautic).
- **Aluminium casting and injection:** Turnatorie Iberica.

Bearings division

This is NBI's flagship and has several manufacturing plants.

The Oquendo plant is one of the growth drivers, already operative albeit at a slower pace than expected. The technical validation of machinery has been successfully completed and prototypes of the designed bearing series have been produced. The aim is to industrialise the bearing series, but first customer approvals are needed, which are lengthy processes. NBI's initial targets were for the plant to contribute EUR7.5m in 2022, the year of completion of the 50/22 Plan, a figure which we believe will not be reached in 2022 due to delays.

Production is focused on complementary products to those currently offered by NBI's main supplier, Cronos: high quality tapered (large TRB) and spherical (small SRB) bearings. The aim is for the quality of the bearings produced in this new plant to be similar to that of the large companies in the sector. In the first phase, NBI will focus on grinding, and the overcapacity of the furnace at the Cronos plant will continue to be used for manufacturing. In the second phase, two new grinding lines will be built for spherical bearings (SRB) and cylindrical bearings (CRB).

Significant investments are being made at the **Indian plant** for growth and product improvement, and the plant's production lines will be complementary (in terms of bearing type and diameter) to those already available at the Oquendo and Cronos plants.

In Brazil, NBI has a marketing plan to grow both in original equipment (OEM) and maintenance (MRO) customers. Several homologation orders have been secured for MRO customers in Brazil and face-to-face visits to all customers have already resumed (September). Another avenue for growth could be to enter the US market by supplying bearings manufactured in India and Spain.

Strategy in the Bearings Division.

The aim of the strategy is organic growth, watching out for very clear M&A opportunities, completing the range of products and manufacturing, allowing access to new geographic markets and the vertical integration of manufacturing processes.

As in the industrial area, it is important to continue attracting and retaining talent, with permanent reinforcement of the management and sales team.

Regarding **marketing, the target markets** are:

- Europe
- India and neighbouring countries
- Brazil
- Open an office in US.



Marketing continues focused on OEM (Original Equipment Manufacturer) and is entering the maintenance market in Brazil (MRO). The targets are applications requiring the manufacturing of low/medium batches, with high technical requirements and support from engineering applications.

The investments in this division are EUR10m in Oquendo in 5 years and EUR9m in India (JV 51%) in 4 years (discussed in the segment regarding capex). In general, the aim is to expand the range of bearings manufactured in-house at NBI.

NBI specialised in the design of its in-house products, beginning with NNF type cylindrical bearings, to be produced at the Cronos plant in China, later expanding the range of bearings. Subsequently, it developed its facilities in Oquendo with more resources, personnel, and its own design software.

We highlight that NBI's bearings, are at the top range in terms of quality and have a service life of 5-6x the calculated life according to ISO 281.

The manufacturing process starts with the supply of steel bars, whose chemical composition is inspected, passing through forging, turning, heat treatment, grinding (visual appearance, surface roughness, coating thickness and uniformity) and ending with washing, assembly, and packaging.

Typically, smaller companies with a turnover <EUR30m cover part of the products' manufacturing process, and the larger companies are more vertically integrated. **In the case of Cronos**, which is a small supplier, it has a level of vertical integration similar to that of one of the larger companies.

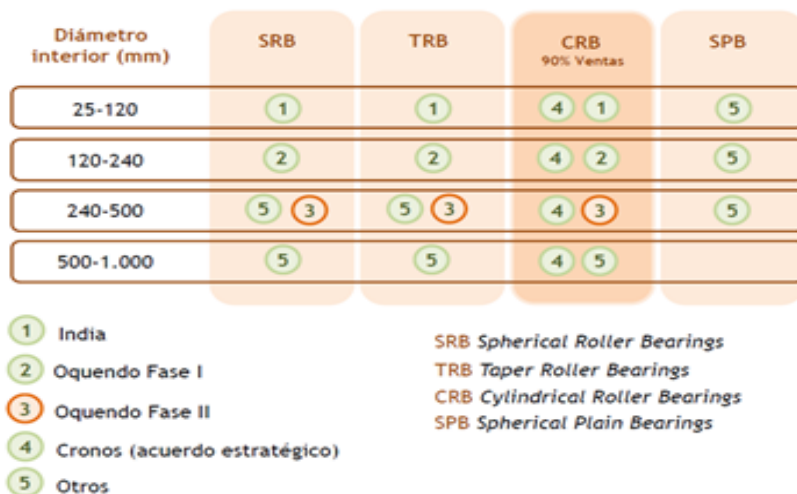
NBI has several strategic alliances with more than 13 suppliers and is developing new alliances in India and China. **The Cronos plant is the main supplier and there are supply and marketing agreements with NBI**, so that Cronos has limited its market to China. In addition, the two co-founders and majority shareholders of NBI hold a 30% stake in Cronos.

NBI manufactures a **wide range of bearings** such as:

- Cylindrical Roller Bearing (CRB)
- Type NNF Cylindrical Roller Bearing (CRB)
- Taper Roller Bearing (TRB)
- Spherical Roller Bearing (SRB)
- Spherical Plain Bearings

Figure 33: NBI: type of bearings per plant.

Tipología de rodamiento por planta productiva



NBI

Industrial Division

NBI created this division to achieve vertical integration in the manufacturing of bearing components, technologies, and processes. This area includes 315 employees.

This division designs, manufactures and supplies components and assemblies for the industry in general, and particularly for the automotive and aeronautic sectors, investing in the best technology to manufacture each component.

The industrial division has three business units, Metal Transformation, Machining and Casting, and aluminium injection, each in turn formed by one or more subsidiaries.

In the Metal Transformation unit, Egikor is a stamping plant that provides NBI with the know-how and capacity to design cages and the manufacturing processes.

Figure 34: Production of components



Egikor



Egikor

Aida Ingeniería, is specialised in the designing and production of components, and fine boilermaking sub-assemblies in a large number of industries.

The **Mechanised unit** is the worst performer and is the lowest added-value unit. **Betiko** is a bar turning plant that provides know-how in the manufacturing of turned rollers. It manufactures components and assemblies for the automotive sector, the electronics industry, white goods, elevators and lifts, home automation and heating, fastening systems, bodywork, etc. **Industrias Metalúrgicas Galindo** is the latest addition to the machining unit. It is dedicated to the design and manufacture of tooling and serial parts for the aeronautical sector.

At the end of 2020, NBI acquired the Romanian **Turnatorie**, **creating a new business unit**, focused on the supply of aluminium components for the automotive sector, although is opening to other activities. Included in this acquisition is the know-how in aluminium casting, injection moulding and machining that may gain importance in the future manufacturing of light-weight bearings.

Strategy in the Industrial Division.

The growth strategy combines organic and inorganic growth. The aim is to find companies that:

- Contribute different technologies, allowing to access new markets and also crossed sales. With the acquisition of Turnatorie, NBI has entered the automotive sector and in coming years intends to boost crossed-sales with other industrial units such as Metal Transformation and Machining in the automotive sector.
- Are located in low-cost countries.

Within the strategy, it is also important to continue attracting and retaining talent, permanently reinforcing management, technical and sales personnel.



On the marketing front, with 90% of the revenues generated outside of Spain, the intention is to develop the **European and Brazilian markets**. In Europe, the target was for sales to represent 25% of the total, already achieved with the acquisition of Turnatorie. The aim is to achieve a **minimum 75% utilisation of production capacity** in each plant, developing solutions for different sectors and applications.

Investments in this division, some EUR5m in 4 years, is discussed in the segment on capex, and focused on the extension of Turnatorie.

The Company intends to **combine local manufacturing with low-costs**, following the bearings model and boosting NBI's activity in Romania.

NBI estimates

Before diving into our estimates on NBI, we have included a summary on 2021 results.

Performance in 2021

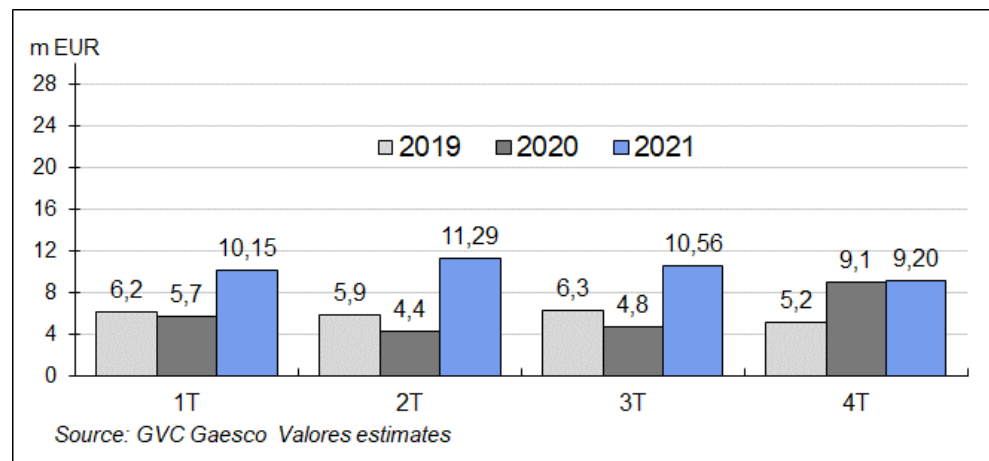
9m21 sales accumulate +116% growth vs. 9m20, partially due to Turnatorie which only contributed in 4Q20 compared to the nine months in 2021. Excluding this effect, sales growth was 29.2%. Demand continues to recover although the automotive sector continues to be impacted with lower volumes due to the crisis in semiconductors. The Galindo plant (aeronautic) is slowly recovering revenues.

The bearings unit increased revenues by 39.6% vs. 9m20 even with a still small contribution from the Oquendo plant, whose production has decelerated. This is due to the shutdown in activity and lower resources available for clients (personnel adjustments, working remotely, travel restrictions, etc) to advance in the process of certifying NBI's products. The fall in sales led to the breach of supply contracts with current suppliers, thus the Company is in no hurry to find alternate suppliers.

In addition, and although the components supply chain for the Oquendo plant advanced, during the last year, its development has greatly decelerated due to the **impossibility to travel to China and India**. According to NBI, during the last 2 months, face-to-face visits have returned in Europe and India (not so in China) and **has recovered certification processes** that had begun prior to the pandemic.

The plant already has various certifying processes with high probabilities of success. This plant may be strengthened by the supply problems that NBI's target customers are experiencing from Asia.

Figure 35: Quarterly sales performance



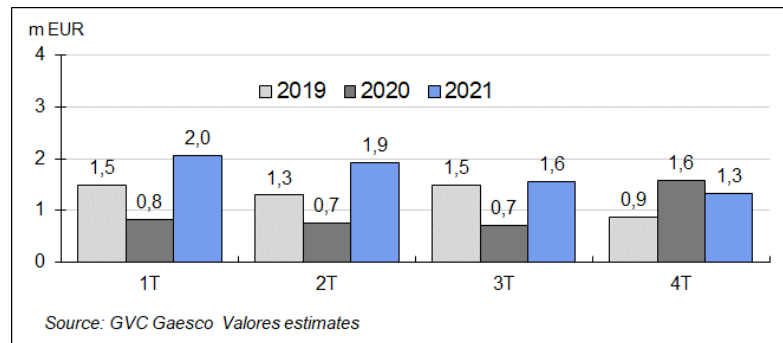
The adjusted EBITDA improves +143% and accumulates an EBITDA margin of 17.3% vs. 15.3% 9m20. This margin is slightly lower than the 23.2% obtained in 9m'19, due to the effects of integrating the recently acquired companies and cost inflation (+40% gas in Romania, transport costs, raw materials) that will be gradually transferred to clients.

Almost all business units contributed a positive EBITDA in 9m21. **Bearings 42% and Turnatorie 36%**, despite the 17% increase in average costs. Galindo, focused on aeronautics, reached a positive EBITDA thus turning the complicated situation in 2020 around. Talleres Ermua continues with a negative EBITDA.

The Company is taking measures to recover target margins in 2022. **NBI maintains its revenues target of EUR8.5m in 4Q21 and EUR1.3m in EBITDA.**

In 3Q21 the Company indicated that raw material prices, personnel costs, transport, and energy costs would continue to rise disproportionately and that it was very difficult to pass these increases on to customers in full and immediately.

Figure 36: Quarterly EBITDA performance



In 9m21, NBI accumulated EUR3.9m investments, partially due to the expansion of Turnatorie (by around 50%). According to NBI, these investments are not only earmarked to the 50/22 Plan but **prepare the Company for another leap in scale.**

Net debt in 3Q21 ended at EUR21.4m (not discounting treasury stock), similar to the EUR21.2m at 2020. NBI's net debt, discounting treasury stock, reached EUR20.3m. Our estimates point to a net debt of EUR21.69m, or ND/EBITDA3.47x at 2021.

Historic performance of NBI's sales per markets.

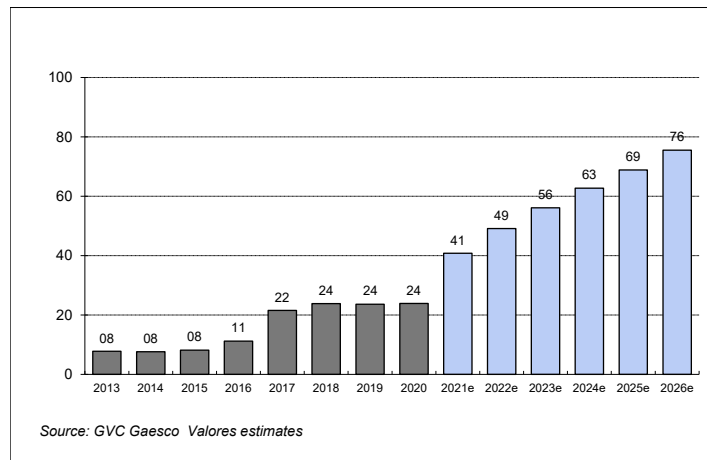
The Company does not give a detailed breakdown of the use of revenues. In 2020 55.1% of the revenues went to the domestic market and 44.9% abroad. In 2019, 61.3% of the revenues were local and 38.65% from exports.

Sales estimates

Bearings sales, as in the majority of the industrial sector, depend on the GDP performance. We are moderately optimistic with economic growth and believe that companies such as NBI, that have weathered the crisis well, even acquiring new companies, will continue to gain clients in many industries that use these components.

We expect substantial growth in sales, due to the expansion of the main activities, bearings, and manufacturing of aluminium components.

Figure 37: NBI, sales performance



GVC Gaesco Valores estimates

In bearings, the Oquendo plant is close to obtaining various certifications that will allow a substantial growth in the utilisation of capacity. We estimate a progressive rise in the marketing of bearings supplied by the Chinese Cronos and a gradual rise of sales from India, thanks to the investments made in the plant, improving designs and products. On the other hand, growth is boosted in Brazil, where NBI has a growing infrastructure. We estimate bearings to increase its weight in the mix from 37% in 2020 to 43% in 2027e, following the 29% lower contribution in 2021 due to the consolidation of Turnatorie which contributed 38% of the sales.

Figure 38: Estimates per business

	2020	% tot	2021e	% tot	% var	2022e	% tot	% var	2023e	% tot	% var	2024e	% tot	% var	2025e	% tot	% var
ACCUMULATED SALES	24,9	100%	40,8	100%	64%	49,2	100%	20%	56,1	100%	14%	62,7	100%	12%	68,9	100%	10%
Rodamientos	9,2	37%	12,0	29%	30%	16,0	33%	33%	19,4	35%	21%	22,8	36%	18%	26,3	38%	15%
Transformación metálica	8,3	33%	8,8	22%	6%	9,7	20%	9%	10,4	18%	8%	10,9	17%	5%	11,5	17%	5%
Mecanizado	3,5	14%	4,5	11%	29%	4,7	10%	4%	4,9	9%	4%	5,0	8%	2%	5,1	7%	2%
Fundición e inyección aluminio	3,9	16%	15,5	38%	n.s.	18,8	38%	22%	21,5	38%	14%	24,0	38%	12%	26,0	38%	8%

Source: GVC Gaesco Valores estimates

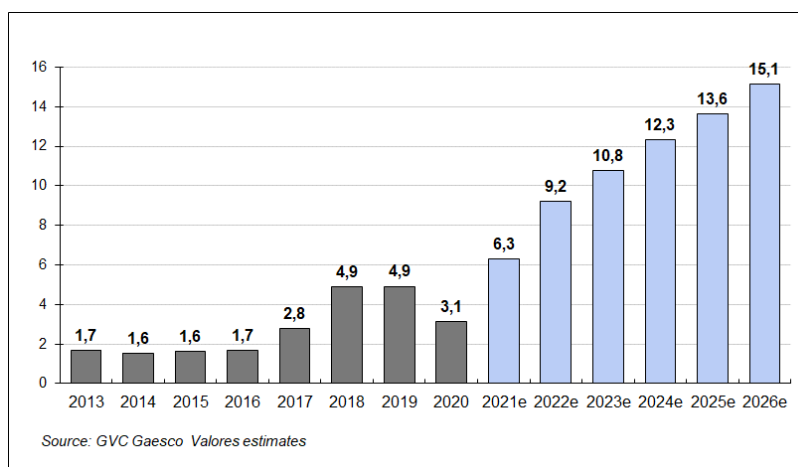
We also expect Turnatorie (aluminium pieces) to contribute substantial growths to sales. The subsidiary, specialised in the entire aluminium process, is extending capacity by 50% and is very competitive. Although it is focused on the automotive sector, impacted by the lack of semiconductors, it is entering other markets and the performance has been very positive in recent years. In 2019, the margin was 25.3% similar to bearings (26.4%). IHS, in its December 2021 data, estimates +1.2% vehicle production growths in 2021, 9% in 2021 and 10.1% in 2023. We estimate +21.6% in 2022 and 14.4% in 2023.

Metal Transformation. We estimate pre-Covid turnover to be reached in 2022, growing 9.4%, boosted by Egikor's stamping activity, with moderate medium-term growths. In **Machining**, we estimate 4% growth in sales in 2022 thanks to the recovery of the aeronautic business in Galindo. However, Talleres Ermua is not improving and continues to contribute a negative EBITDA. We estimate lower growths in the latter.

EBITDA estimates

As seen in 2021, inflation costs (+40% rise in gas in Romania, transport, and raw material costs) is affecting the companies' P&L account and NBI's in particular.

Figure 39: EBITDA performance



Despite the effects, we expect a progressive recovery of NBI's margins thanks to the high-added value products, that could permit the transfer of costs to customers. In addition, with the increased utilisation of plants (namely Oquendo, NBI India and Turnatorie) will dilute set costs and the Company will continue with measures to improve efficiency.

NBI sells in euros and a large portion of its purchases are international and realised in USD. NBI follows a policy of hedging the USD/EUR exchange rate when the purchase order is issued, at which point the exchange rate risk begins. The increase or decrease of the hedging percentage at each moment is taken according to the expected performance of the exchange rate, the sales order book, and the estimated purchases. Exchange rate hedges are taken out to reduce uncertainties that are not inherent to the business.

We estimate **EBITDA in the bearings activity** to grow substantially due to the rise in sales, increasing from 42% EBITDA in 2020 to 47% in 2025 and to 52% in 2027.

Figure 40: Estimates of EBITDA by divisions

	2020	% tot	2021e	% tot	% var	2022e	% tot	% var	2023e	% tot	% var	2024e	% tot	% var	2025e	% tot	% var
ACCUMULATED EBITDA	3,8	100%	6,8	100%	78%	9,2	100%	35%	10,8	100%	17%	12,3	100%	14%	13,6	100%	11%
Rodamientos	1,6	42%	2,8	41%	73%	3,8	42%	37%	4,7	43%	21%	5,6	45%	20%	6,4	47%	15%
Transformación metálica	1,5	40%	1,3	19%	-15%	1,5	17%	18%	1,7	15%	8%	1,8	14%	5%	1,8	13%	5%
Mecanizado	0,0	-1%	0,2	3%	n.s.	0,3	3%	14%	0,3	2%	4%	0,3	2%	2%	0,3	2%	2%
Fundición e inyección aluminio	0,7	19%	2,5	37%	n.s.	3,6	39%	43%	4,2	39%	17%	4,7	38%	12%	5,1	37%	8%
EBITDA margin	15,4%		16,8%			18,7%			19,2%			19,6%			19,8%		
Rodamientos margin	17,5%		23,3%			24,0%			24,0%			24,5%			24,5%		
Transf.metálica margin	18,5%		14,9%			16,0%			16,0%			16,0%			16,0%		
Mecanizado margin	-1,1%		5,0%			5,5%			5,5%			5,5%			5,5%		
Fundición aluminio margin	18,6%		16,2%			19,0%			19,5%			19,5%			19,5%		

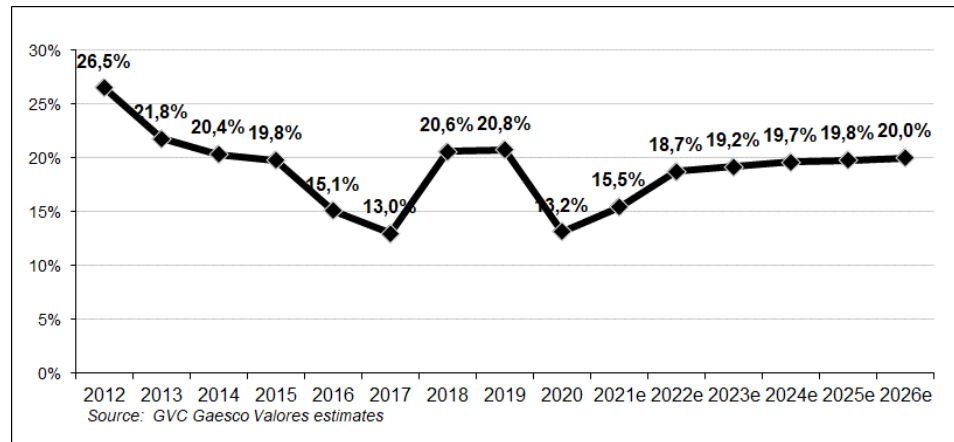
Source: GVC Gaesco Valores estimates

According to our estimates, the Metal Transformation unit will dilute its weight in EBITDA from 19% in 2021 to 13% in 2025 due to the higher growth of the two main activities. We estimate a small contribution from the Machining area, +3% in 2021 and dropping to 2% in 2025. Another activity that will continue to contribute substantially to EBITDA is Turnatorie, estimating 37% in 2021.

Margins in the bearings activity will continue to improve as plants increase activity. NBI has traditionally obtained good margins in bearings, over 20%. Profitability in this activity is estimated to reach 24.5% in 2025. For Turnatorie, we estimate EBITDA margin recovering up to 19% in 2022 and maintaining this level, slightly above the margin estimated in Metal Transformation which could be around 16%. For the time being, we do not expect margins to surpass 5.5% in Machining.

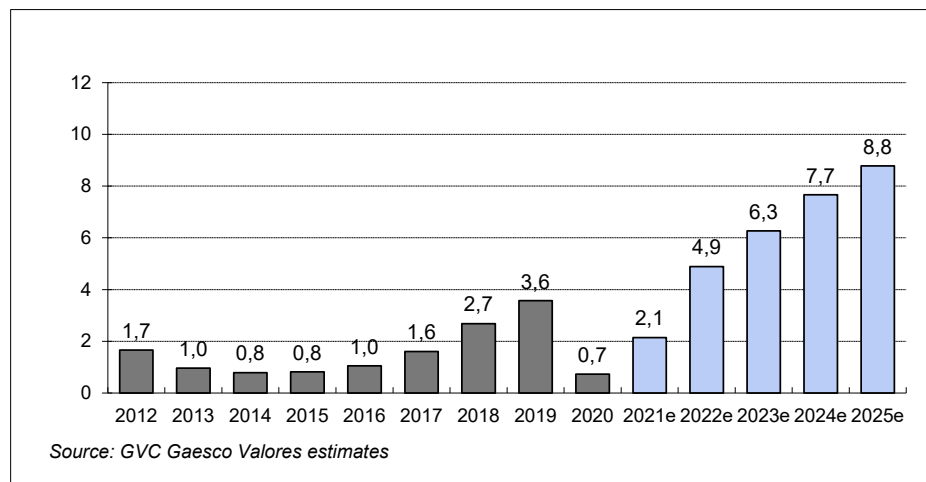
In 2016 NBI acquired several low-margin companies and has been capable of recovering profitability with Group margins already above 20% in 2018-19.

Figure 41: Performance of EBITDA margin



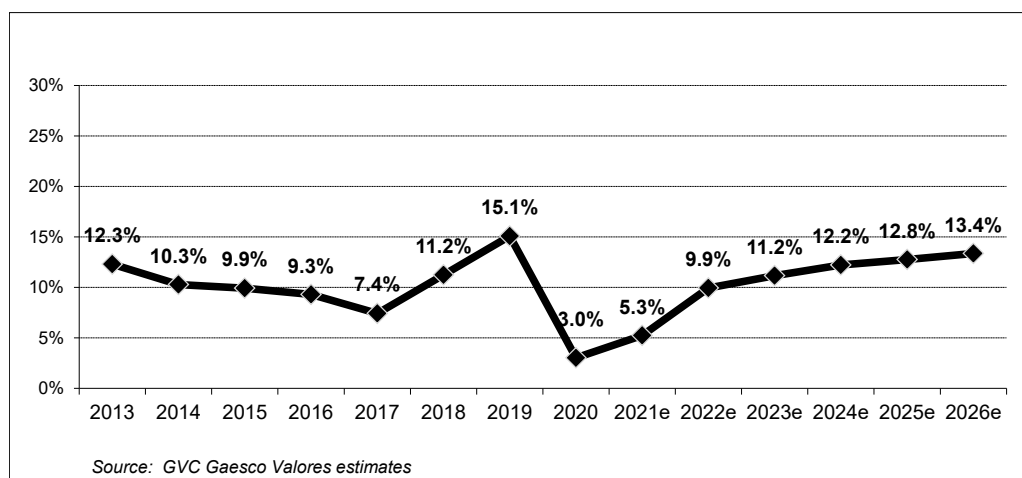
Special alloy **steel is the most important raw material**. Following 2021 with a spectacular rise in raw material prices, steel prices have dropped since August through to December by around -20 to -25% (depending on the references), although these are still much higher than in other cycles. Additionally, gas prices, following the highs reached in December, have corrected substantially at the end of the month, which could help in the recovery of margins in 2022.

Figure 42: NBI: Performance of EBIT



The relevant acquisitions made in recent years have generated a goodwill of EUR10.6m, whose amortisation penalises the reported EBIT.

Figure 43: Performance of EBIT margin



We estimate the following results:

Figure 44: NBI estimates

m EUR	2017	% sles	%y/y	2018	% sles	%y/y	2019	% sles	%y/y	2020	% sles	%y/y	2021 e	% sles	%y/y	2022 e	% sles	%y/y	2023 e	% sles	%y/y
Sales	21,6	100%	92%	23,9	100%	11%	23,6	100%	-1%	23,9	100%	1%	40,8	100%	71%	49,2	100%	20%	56,1	100%	14%
EBITDA	2,8	13,0%	65%	4,9	20,6%	75%	4,9	20,8%	0%	3,1	13,2%	-36%	6,3	15,5%	101%	9,2	18,7%	46%	10,8	19,2%	17%
EBITDA ajustad	3,0	13,8%	0%	4,8	20,3%	0%	5,1	21,8%	6%	3,8	16,1%	-25%	6,8	16,8%	78%	9,2	18,7%	35%	10,8	19,2%	17%
Depreciation	-1,2	-6%	84%	-2,2	-9%	86%	-1,3	-6%	-40%	-2,4	-10%	81%	-4,2	-10%	72%	-4,3	-9%	4%	-4,5	-8%	4%
EBIT	1,6	7,4%	53%	2,7	11,2%	67%	3,6	15,1%	33%	0,7	3,0%	-80%	2,1	5,3%	195%	14,1	28,7%	558%	17,0	30,3%	21%
Financial results	-0,3	-1%		-0,3	-1%	12%	-0,3	-1%	n.a.	-0,4	-2%	n.a.	-0,7	-2%	n.a.	-0,5	-1%	-18%	-0,5	-1%	-7%
EBT	1,3	6%	51%	2,4	10%	n.a.	3,2	14%	35%	0,3	1%	-90%	1,5	4%	353%	13,6	28%	809%	16,5	29%	22%
Income tax	-0,2	-1%		-0,5	-2%	n.a.	-0,4	-2%	n.a.	-0,1	0%	n.a.	-0,6	-1%	n.a.	-1,2	-2%	n.a.	-1,5	-3%	26%
minority interests	0,0	0%	0%	0,0	0%	n.a.	0,0	0%	0%	0,2	1%	0%	0,2	0%	0%	-0,1	0%	0%	-0,1	0%	0%
Net profit	1,2	5%	61%	1,9	8%	n.a.	2,8	12%	51%	0,5	2%	-84%	1,0	3%	132%	12,3	25%		14,9	27%	21%

Source: GVC Gaesco Valores estimates

Having reached an adjusted EBITDA margin of 21.8% in 2019, the Covid effect provoked the fall of this data to 16.1% and in 2021 we expect it to be closer to 17%, advancing towards 20% expected in 2025.

Cash Flow analysis

NBI's trend has been one of growth, both organic and inorganic, with high investment volumes, allowing sales to increase from EUR8.2m in 2015 to an estimated EUR49.2m in 2022. EBITDA will increase during the same period from EUR1.6m to an estimated EUR9.2m.

Figure 45: Performance of cash flow

CASH FLOW (EURm)	2018	2019	2020	2021e	2022e	2023e	2024e
Cash Flow from Operations before change in NWC	4.1	4.2	2.6	4.5	7.0	8.2	9.5
Change in Net Working Capital	1.0	-3.0	-1.9	-0.8	-1.3	-1.2	-1.2
Cash Flow from Operations	5.1	1.2	0.7	3.6	5.7	7.0	8.4
Capex	-1.9	-1.1	-1.5	-4.6	-3.5	-3.5	-3.5
Net Financial Investments	-1.7	-0.7	-10.3	0.0	-3.0	-3.0	-3.0
Free Cash Flow	1.5	-0.6	-11.0	-1.0	-0.8	0.5	1.9
Dividends	-0.4	-0.5	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-0.7	2.0	0.0	0.3	0.0	0.0	0.0
Change in Net Debt	0.4	0.8	-11.1	-0.7	-0.8	0.5	1.9

Source: GVC Gaesco Valores estimates

GVC Gaesco Valores estimates

When the **acquisition of Turnatorie** was signed (27 October 2020) EUR6m was paid, leaving EUR9m pending payment, not included in net debt at 2020 (EUR21.2m). This outstanding amount is included in the item "suppliers of fixed assets", as it is not a financial debt with an associated financial cost.

Our estimated cash flow includes cash outflow from 3 pending payments: EUR3m in April 2022; EUR3m April 2023 and EUR3m April 2024.

As collateral for the second payment, NBI provided a guarantee of EUR3m for 30 months and, additionally, as collateral for the final payment the NBI shares owned by the main shareholder were pledged for EUR3m. To finance this acquisition, NBI has a EUR9m loan led by Cofides, which will be drawn down according to the payment schedule. The final maturity is 8 years (2 years grace period), with a Euribor +280 b.p. variable interest rate.

We may witness concentration moves in the sector given the high fragmentation, with many medium/small sized companies. NBI could be interesting for other groups based on its margins, technology, and positioning in China.

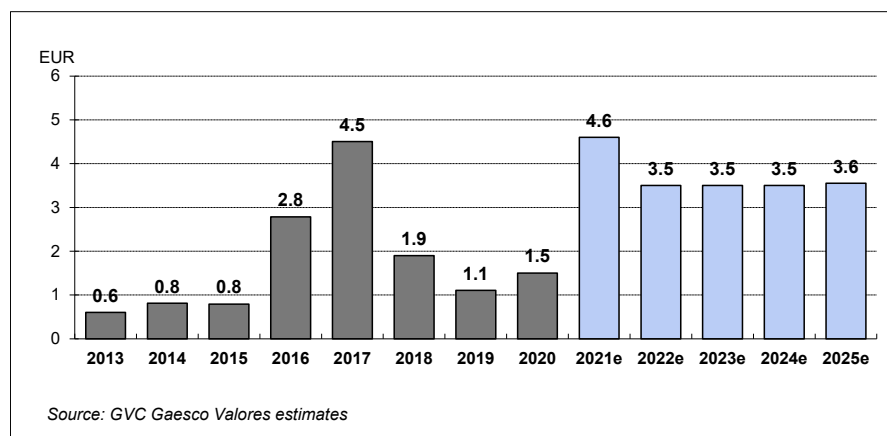
Capex at 9m21 reached EUR3.9m and is estimated to reach EUR4.6m at year-end. A large portion of 2021 investments have been used to increase the capacity in Turnatorie, the Romanian aluminium components manufacturing plant, that at the end of 2021 has the capacity to manufacture 50% more. In Turnatorie, investments were made in stamping machines and over 50 people have joined the Company. Specifically, two 560 tons injectors started up and 5 new presses from 450 to 900 tons have been installed, transferring the machining area to a new facility acquired. The Company has also invested in machining for the bearings plant in India.

The investment plan which decelerated due to doubts, has been recovered. **In the Oquendo (Alava) plant and India** the targets of installing 8 production lines and 1 heat treatment plant in each facility remains. The investment in Oquendo would be of EUR10m in 5 years, whereas the joint investment (NBI 51%) in India would be of EUR9m in 4 years. The aim behind these relevant investments are:

- To increase the range of products and manufacturing capacity in Oquendo and India;
- To integrate the processes of forging and rolling, heat and superficial treatment;
- Increase vertical integration with the in-house manufacturing of rollers and cages made of sheet metal, polyamide, or brass.

Estimated investments in Turnatorie in 4 years (beginning in 2021) are of EUR5m. The aim is to increase the manufacturing range and production capacity from 13 injection moulding cells to 21 cells (already in 2021). In addition, and as mentioned above, the machining plant, new facility already acquired, is also being upgraded.

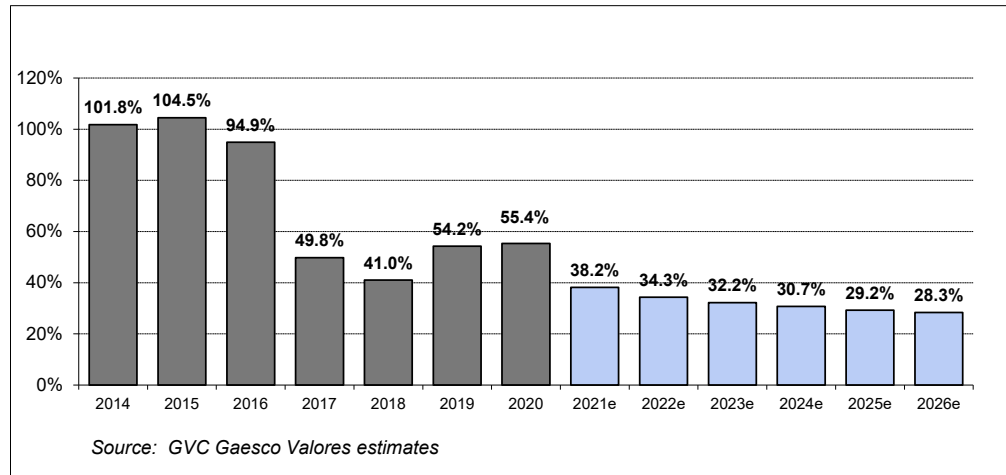
Figure 46: Performance of capex



As we can see, relevant organic growth lies ahead. In addition, NBI is on the lookout for new opportunities for inorganic growth, which will add value to the Group, at a reasonable price, mainly for the metal transformation unit.

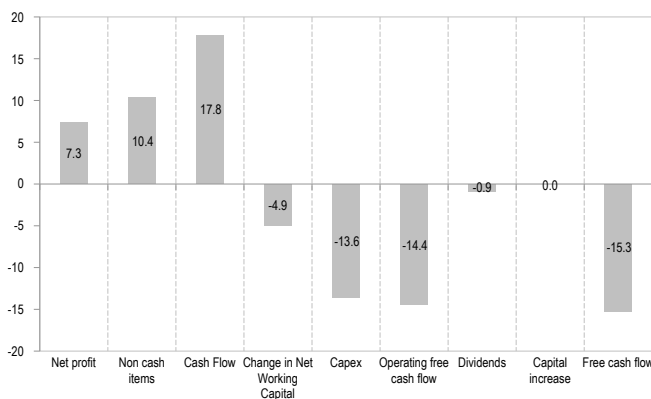
Breakdown of the working capital/sales performance below

Figure 47: NBI, performance of Working capital/sales

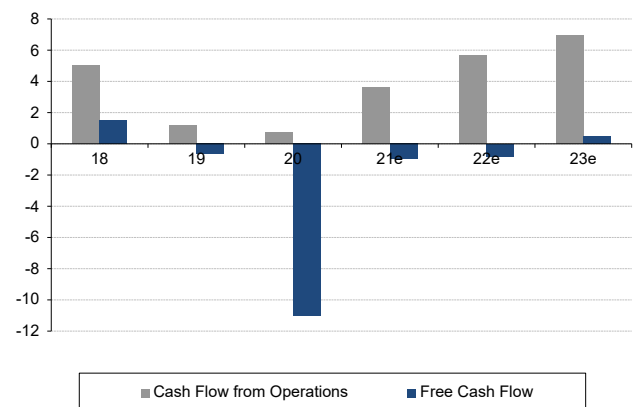


We estimate working capital/sales to stabilise at around 28% sales in 2026, dropping from 35% in 2022e. In our opinion it is a high level, but it is partially owing to the existing volumes held by the Company within its marketing policy, which permits selling old bearings at very good margins. Regarding the global leader, SKF, net working capital/sales has dropped from 31% in 2017 to 28% in 2019 and 26.1% in 2020 to later reach 30.5% in 3Q21.

Breakdown of aggregate 5 yrs Free Cash Flow



Cash Flow Development



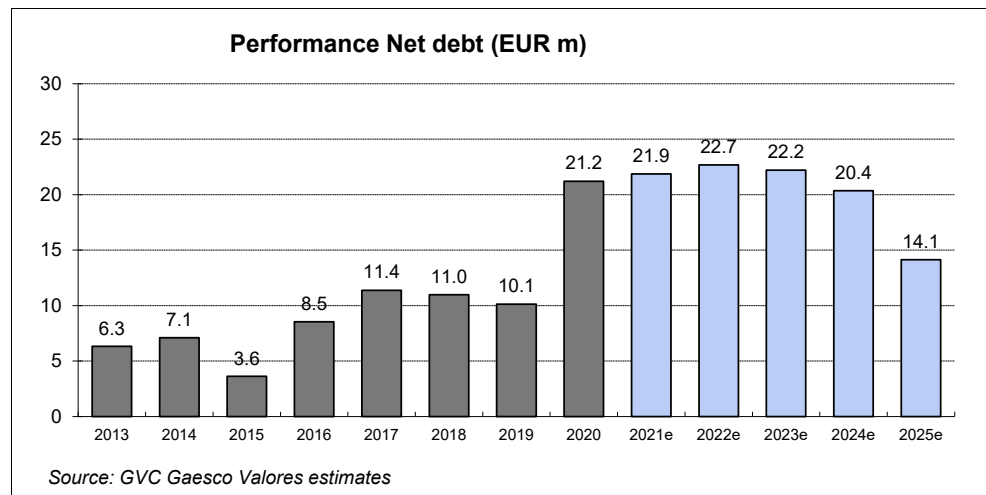
Source: GVC Gaesco Valores estimates

Net debt

NBI's net debt performs according to the relevant organic and inorganic growth.

Following the relevant acquisitions in 2020, we estimate net debt reaching EUR21.9m, ND/EBITDA 3.47x at 2021. If we consider treasury stock and the adjusted EBITDA, the adjusted ND/EBITDA could reach 3x.

Figure 48: Performance of net debt (EURm)



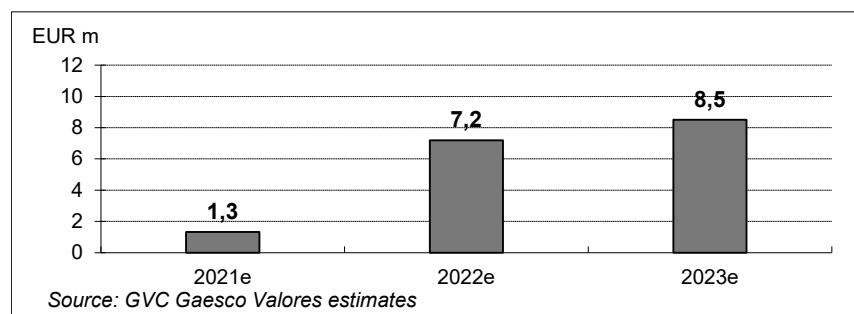
GVC Gaesco estimates

The average cost of debt is Euribor +1.53% and 87% of the debt is at a set rate.

At 3Q21, treasury stands at EUR21.66m, enough to cover debt maturities until 2023 (EUR17m). NBI also has undrawn credit lines amounting to EUR1.8m.

At 3Q21, treasury stock was made up by 545,068 share, at an average EUR2.53/share and with relevant latent capital gains.

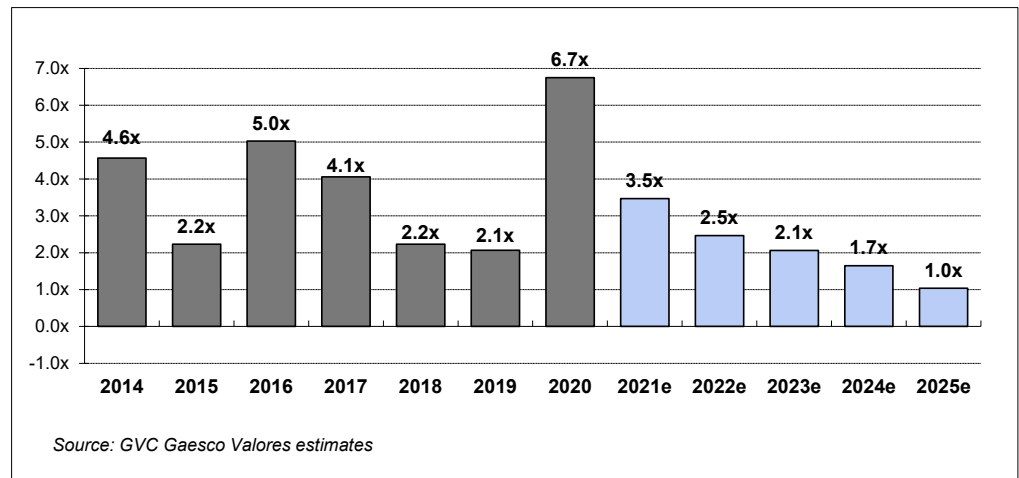
Figure 49: Debt maturities at the end of 3Q21





ND/EBITDA performance since 2014:

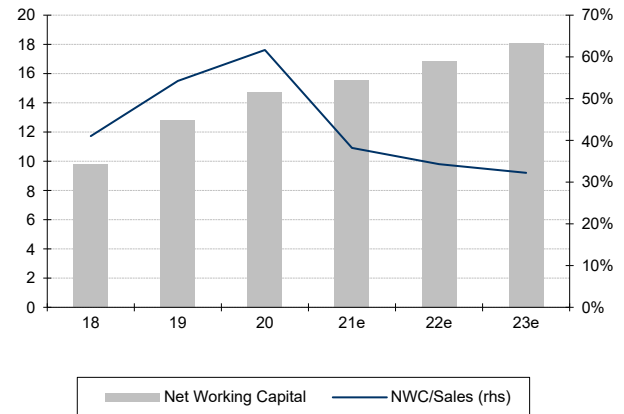
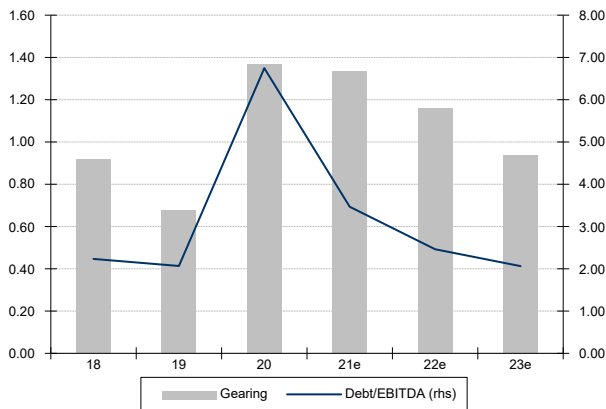
Figure 50: Performance of Net Debt/EBITDA



NBI has traditionally paid dividends but is currently focused on growth thus dividends are not currently a priority.

Gearing , Debt/EBITDA

NWC, NWC/Sales



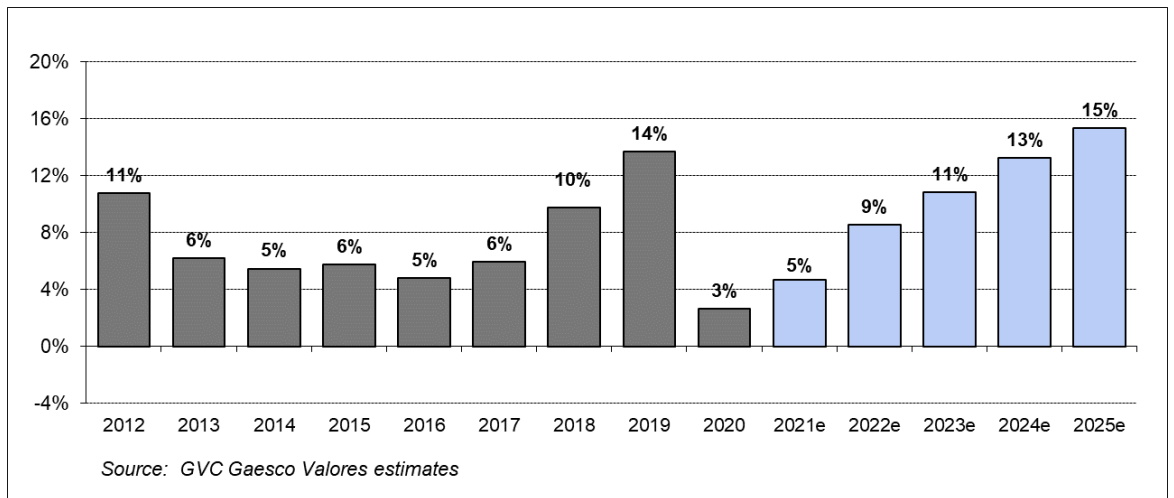
Source: Company data

ROCE

NBI, as seen, maintains high stock levels due to marketing reasons. The high working capital volumes penalises profitability. We highlight the rise in profitability in 2020, given the drop in EBIT during a complicated year of results; and on the other, the rise in acquisitions and goodwill. We estimate ROCE will recover progressively in line with the increasing utilisation capacity in plants.



Figure 51: NBI, performance of ROCE



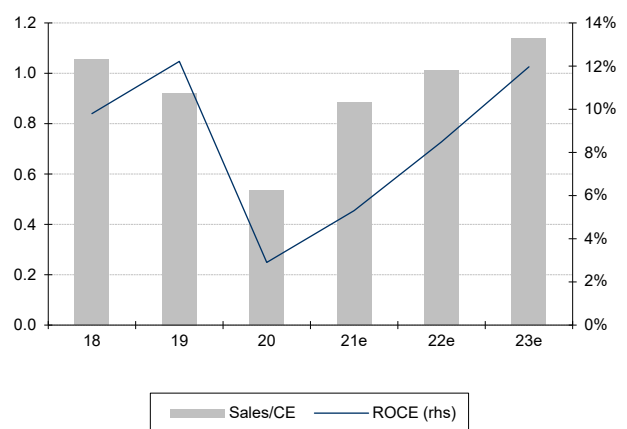
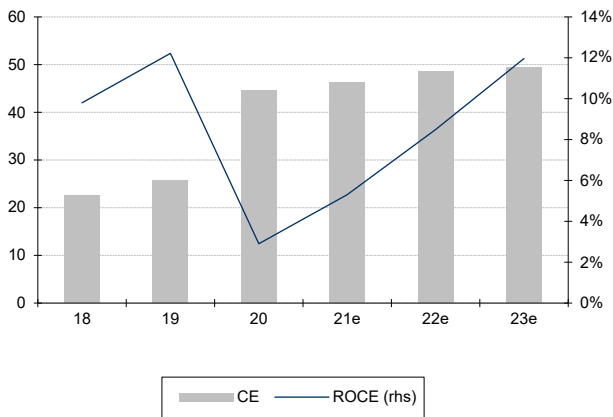
GVC Gaesco Valores Estimates.

ROCE according to ESN. $ROCE (adj.) = NOPLAT / (CE - Net\ Financial\ Assets) = [EBIT (adj.) * (1 - Normative\ Tax\ Rate)] / (Capital\ Employed - Net\ Financial\ Assets)$.

CE = Net Fixed Tangible Assets + Net Fixed Intangible Assets (excluding Goodwill) + Goodwill + Right-of-Use assets (Lease Assets) + Net Financial Assets + Net Working Capital.

ROCE & CE

Sales/CE, ROCE



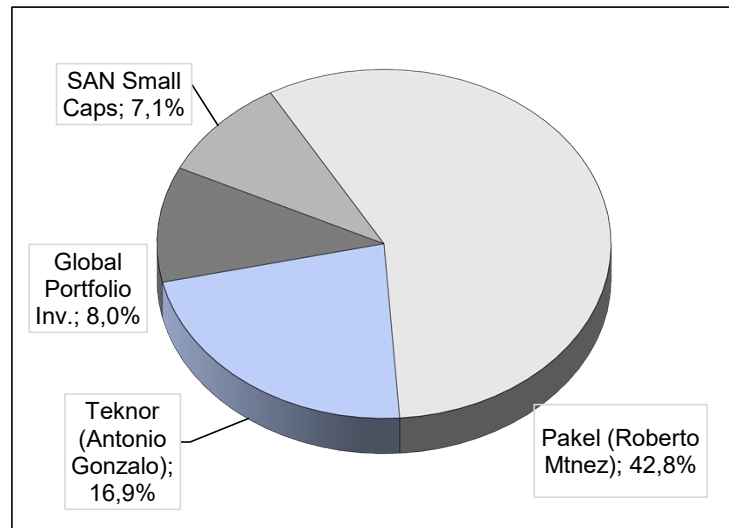
Source: Company data

NBI's shareholder structure

At 24 January 2022, two new shareholders have entered to form part of the shareholder structure, obtaining a stake equal to or above 5%. These are Beraunberri (the Galindez family) with 5% and Onchena (Ybarra Careaga family) with another 5%. The transaction on 8.544% of the capital was carried out through the sale of part of NBI's treasury stock and two main shareholders' reducing their total weight.

NBI's shareholder structure breakdown is as follows:

Figure 52: Shareholders



Source: NBI

Publication schedule of financial information

The publication schedule of NBI's financial information is as follows.

Information	Publication deadline
2021 Financial Statements and 2021 Audit Report	March 31, 2022
1Q22 Earnings Preview	April 29, 2022
Interim Financial Statements 2022 and Limited Half-Yearly Review	September 30, 2022
Advance 3Q 2022 Results	October 31, 2022
Advance 4Q 2022 Results	February 28, 2023
2022 Annual Financial Statements and 2022 Audit Report	31 March 2023

Source: NBI



NBI's guidance

NBI has a long-term target in **sales EUR100m and EBITDA EUR20m**. Ahead of these targets, NBI has set an intermediate target set within its 50/22 Plan.

NBI maintains its **50/22 Plan** (launched in May 2018) with the target of reaching **EUR50.98 revenues, EBITDA EUR10.61m and EBITDA mg 20.8% in 2022**. How will the sales target be achieved? According to NBI:

- With the 2019 perimeter, formed by the companies NBI Bearings Europe, Egikor, Betiko, Talleres Ermua and Aida, the amounts lost during the Covid-19 will be recovered in 2022, increasing sales from EUR24.5m in 2019 to EUR25m in 2022.
- Another EUR5-10m would be contributed by new business units that did not contribute in 2019, integrated in the Oquendo plant, NBI do Brazil, NBI India and Galindo.
- The Romanian Turnatorie, acquired in 2020, is expected to contribute c. EUR15-20m.

Our estimates point to sales of EUR49.2m, EBITDA EUR9.2m and EBITDA mg 18.75%, above the estimated 16.76% EBITDA margin in 2021. These estimates point to NBI reaching the sales included in the Plan although in EBITDA we are a little more conservative due to the existing cost inflation and difficulties in transferring these costs to clients.

Another of NBI's targets is for net debt to be below 2.5x in 2022. Our estimates (not discounting treasury stock) is of 2.46x which fulfils the target set, although it would also depend on the capex employed in 2022.

NBI also estimates reaching 65% EBITDA. We estimate 56%, reasonably in line with NBI expectations.

The Company's ROCE target is to reach 16% in 2022. The formula used as the base of this ROCE is: $(EBIT - \text{Activation R\&D Subsidies} + \text{Amortisation R\&D} + \text{Amortisation goodwill consolidation}) / (\text{Shareholders' equity} + \text{L/T liabilities (with cost)} - \text{Cash surplus})$. If we apply this formula to our estimates, we estimate NBI obtaining a ROCE of 16.5%, also meeting its target.

NBI estimates recurrent free cash flow of 10% in 2022. **We estimate 9.7%, practically in line with the Company's.**

The 50/22 Plan does not include dividends.



NBI Bearings Europe: Summary tables

PROFIT & LOSS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Sales	23.9	23.6	23.9	40.8	49.2	56.1
Cost of Sales & Operating Costs	-19.8	-19.6	-21.8	-35.1	-40.4	-45.9
Non Recurrent Expenses/Income	0.0	-0.2	-0.7	-0.5	0.0	0.0
EBITDA	4.9	4.9	3.1	6.3	9.2	10.8
EBITDA (adj.)*	4.9	5.1	3.8	6.8	9.2	10.8
Depreciation	-2.2	-1.3	-2.4	-4.2	-4.3	-4.5
EBITA	2.7	3.6	0.7	2.1	4.9	6.3
EBITA (adj)*	2.7	3.8	1.4	2.7	4.9	6.3
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	2.7	3.6	0.7	2.1	4.9	6.3
EBIT (adj.)*	2.7	3.8	1.4	2.7	4.9	6.3
Net Financial Interest	-0.3	-0.3	-0.3	-0.7	-0.6	-0.6
Other Financials	-0.0	-0.0	-0.1	0.0	0.0	0.0
Associates	0.0	0.0	-0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	2.4	3.2	0.3	1.5	4.3	5.7
Tax	-0.5	-0.4	-0.1	-0.6	-1.2	-1.5
<i>Tax rate</i>	<i>21.7%</i>	<i>11.9%</i>	<i>30.2%</i>	<i>39.7%</i>	<i>27.6%</i>	<i>26.2%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.0	0.2	0.2	-0.1	-0.1
Net Profit (reported)	1.9	2.8	0.5	1.0	3.1	4.1
Net Profit (adj.)	1.9	2.8	0.5	1.0	3.1	4.1
CASH FLOW (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Cash Flow from Operations before change in NWC	4.1	4.2	2.6	4.5	7.0	8.2
Change in Net Working Capital	1.0	-3.0	-1.9	-0.8	-1.3	-1.2
Cash Flow from Operations	5.1	1.2	0.7	3.6	5.7	7.0
Capex	-1.9	-1.1	-1.5	-4.6	-3.5	-3.5
Net Financial Investments	-1.7	-0.7	-10.3	0.0	-3.0	-3.0
Free Cash Flow	1.5	-0.6	-11.0	-1.0	-0.8	0.5
Dividends	-0.4	-0.5	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-0.7	2.0	-0.0	0.3	0.0	0.0
Change in Net Financial Debt	0.4	0.8	-11.1	-0.7	-0.8	0.5
NOPLAT	2.1	3.0	1.1	2.1	3.8	4.9
BALANCE SHEET & OTHER ITEMS (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Tangible Assets	9.9	9.4	15.5	15.9	15.1	14.1
Net Intangible Assets (incl. Goodwill)	2.3	2.8	12.9	12.9	12.9	12.9
Net Financial Assets & Other	0.6	0.7	1.4	1.7	3.7	4.2
Total Fixed Assets	12.8	12.8	29.9	30.6	31.8	31.3
Inventories	10.2	12.8	14.6	18.8	20.6	22.9
Trade receivables	5.9	5.3	6.9	9.4	11.0	12.2
Other current assets	0.0	0.0	0.1	0.1	0.1	0.1
Cash (-)	-11.3	-14.3	-22.0	-22.0	-22.0	-22.0
Total Current Assets	27.6	32.5	43.5	50.2	53.7	57.1
Total Assets	40.4	45.3	73.4	80.8	85.5	88.4
Shareholders Equity	11.7	14.8	14.9	15.9	19.0	23.1
Minority	0.3	0.3	0.6	0.5	0.5	0.6
Total Equity	12.0	15.0	15.5	16.4	19.5	23.7
Long term interest bearing debt	20.6	21.5	37.4	40.8	41.5	41.1
Provisions	-0.5	0.1	1.5	1.5	0.0	0.0
Other long term liabilities	0.2	0.4	6.4	6.4	6.4	3.4
Total Long Term Liabilities	20.3	22.0	45.3	48.7	47.9	44.5
Short term interest bearing debt	1.7	3.0	5.8	3.1	3.1	3.1
Trade payables	6.0	5.2	4.7	9.1	10.8	12.4
Other current liabilities	0.5	0.1	2.1	3.6	4.1	4.7
Total Current Liabilities	8.2	8.3	12.6	15.8	18.0	20.2
Total Liabilities and Shareholders' Equity	40.4	45.3	73.4	80.8	85.5	88.4
Net Capital Employed	22.6	25.6	44.6	46.2	48.6	49.4
Net Working Capital	9.8	12.8	14.7	15.6	16.9	18.1
GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
<i>Sales growth</i>	<i>10.6%</i>	<i>-0.9%</i>	<i>1.1%</i>	<i>70.8%</i>	<i>20.5%</i>	<i>14.2%</i>
EBITDA (adj.)* growth	64.1%	4.6%	-25.3%	78.0%	34.7%	16.8%
<i>EBITA (adj.)* growth</i>	<i>49.5%</i>	<i>42.0%</i>	<i>-62.5%</i>	<i>87.4%</i>	<i>82.8%</i>	<i>28.4%</i>
<i>EBIT (adj)* growth</i>	<i>49.5%</i>	<i>42.0%</i>	<i>-62.5%</i>	<i>87.4%</i>	<i>82.8%</i>	<i>28.4%</i>



NBI Bearings Europe: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Profit growth	62.5%	50.9%	-83.9%	131.6%	194.1%	34.0%
EPS adj. growth	62.5%	50.9%	-83.9%	131.6%	194.1%	34.0%
DPS adj. growth	33.3%	n.m.				
EBITDA (adj)* margin	20.6%	21.8%	16.1%	16.8%	18.7%	19.2%
EBITA (adj)* margin	11.2%	16.1%	6.0%	6.6%	9.9%	11.2%
EBIT (adj)* margin	11.2%	16.1%	6.0%	6.6%	9.9%	11.2%
RATIOS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Debt/Equity	0.9	0.7	1.4	1.3	1.2	0.9
Net Debt/EBITDA	2.2	2.1	6.7	3.5	2.5	2.1
Interest cover (EBITDA/Fin.interest)	16.8	15.2	9.7	9.7	16.6	19.3
Capex/D&A	85.1%	82.6%	62.1%	110.4%	80.9%	77.9%
Capex/Sales	8.0%	4.7%	6.3%	11.3%	7.1%	6.2%
NWC/Sales	41.0%	54.2%	61.7%	38.2%	34.3%	32.2%
ROE (average)	16.6%	21.3%	3.1%	6.8%	17.7%	19.6%
ROCE (adj.)	9.8%	12.2%	2.9%	5.3%	8.5%	12.0%
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
ROCE (adj.)/WACC	1.2	1.5	0.4	0.6	1.0	1.5
PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Average diluted number of shares	12.3	12.3	12.3	12.3	12.3	12.3
EPS (reported)	0.15	0.23	0.04	0.09	0.25	0.34
EPS (adj.)	0.15	0.23	0.04	0.09	0.25	0.34
BVPS	0.95	1.20	1.20	1.29	1.54	1.88
DPS	0.04	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
EV/Sales	2.2	2.5	3.2	2.4	2.0	1.8
EV/EBITDA	10.8	12.3	24.5	15.2	10.9	9.3
EV/EBITDA (adj.)*	10.8	11.7	20.0	14.1	10.9	9.3
EV/EBITA	19.9	16.8	105.9	44.9	20.6	16.0
EV/EBITA (adj.)*	19.9	15.8	53.9	36.0	20.6	16.0
EV/EBIT	19.9	16.8	n.m.	44.9	20.6	16.0
EV/EBIT (adj.)*	19.9	15.8	53.9	36.0	20.6	16.0
P/E (adj.)	22.6	17.7	n.m.	n.m.	25.2	18.8
P/BV	3.6	3.4	3.7	4.7	4.1	3.4
Total Yield Ratio	1.2%	0.0%	0.0%	0.0%	0.0%	
EV/CE	2.4	2.4	1.8	2.2	2.2	2.2
OpFCF yield	7.5%	0.1%	-1.4%	-1.3%	2.8%	4.5%
OpFCF/EV	5.9%	0.1%	-1.0%	-1.0%	2.2%	3.5%
Payout ratio	26.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Price** (EUR)	3.42	4.04	4.48	6.00	6.30	6.30
Outstanding number of shares for main stock	12.3	12.3	12.3	12.3	12.3	12.3
Total Market Cap	42.2	49.8	55.2	74.0	77.7	77.7
Gross Financial Debt (+)	22.3	24.5	43.2	43.8	44.7	44.2
Cash & Marketable Securities (-)	-11.3	-14.3	-22.0	-22.0	-22.0	-22.0
Net Financial Debt	11.0	10.1	21.2	21.9	22.7	22.2
Lease Liabilities (+)						
Net Debt	11.0	10.1	21.2	21.9	22.7	22.2
Other EV components	0.2	0.1	0.5	0.3	0.4	0.4
Enterprise Value (EV adj.)	53.3	60.1	76.9	96.2	100.7	100.3

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Industrial Goods & Services/Industrial Engineering

Company Description: NBI is a group of companies, which since 2002 have been specialised in designing, manufacturing and marketing precision bearings and high value-added technical products that are primarily intended for the industrial sectors. NBI has 8 production plants distributed throughout Spain and Asia.

European Coverage of the Members of ESN

Automobiles & Parts	Mem(*)	Kering	CIC	Banca Mediolanum	BAK	Biesse	BAK
Brembo	BAK	L'Oreal	CIC	Banca Sistema	BAK	Bollore	CIC
Faurecia	CIC	Lvmh	CIC	Bff Bank	BAK	Bureau Veritas	CIC
Ferrari	BAK	Maisons Du Monde	CIC	Dea Capital	BAK	Caf	GVC
Gestamp	GVC	Moncler	BAK	Finacobank	BAK	Catenon	GVC
Indelb	BAK	Monnalisa	BAK	Illimity Bank	BAK	Cellnex Telecom	GVC
Michelin	CIC	Ovs	BAK	Mediobanca	BAK	Cembre	BAK
Pirelli & C.	BAK	Piaggio	BAK	Poste Italiane	BAK	Clasquin	IAC
Plastic Omnium	CIC	Richemont	CIC	Rothschild & Co	CIC	Cnh Industrial	BAK
Sogefi	BAK	Safilo	BAK	Food & Beverage	Mem(*)	Corticeira Amorim	CBI
Stellantis	BAK	Salvatore Ferragamo	BAK	Advini	CIC	Ctt	CBI
Valeo	CIC	Smcp	CIC	Bonduelle	CIC	Danieli	BAK
Banks	Mem(*)	Swatch Group	CIC	Campari	BAK	Datalogic	BAK
Banca Mps	BAK	Technogym	BAK	Danone	CIC	Enav	BAK
Banco Sabadell	GVC	Tod'S	BAK	Diageo	CIC	Enogia	CIC
Banco Santander	GVC	Trigano	CIC	Ebro Foods	GVC	Exel Industries	CIC
Bankinter	GVC	Ubisoft	CIC	Enervit	BAK	Fiera Milano	BAK
Bbva	GVC	Energy	Mem(*)	Fleury Michon	CIC	Fincantieri	BAK
Bnp Paribas	CIC	Cgg	CIC	Italian Wine Brands	BAK	Getlink	CIC
Bper	BAK	Ecoslops	CIC	Lanson-Bcc	CIC	Global Dominion	GVC
Caixabank	GVC	Eni	BAK	Laurent Perrier	CIC	Haulotte Group	CIC
Credem	BAK	Galp Energia	CBI	Ldc	CIC	Interpump	BAK
Credit Agricole Sa	CIC	Gas Plus	BAK	Lindt & Sprüngli	CIC	Inwit	BAK
Intesa Sanpaolo	BAK	Gtt	CIC	Nestle	CIC	Leonardo	BAK
Societe Generale	CIC	Maurel Et Prom	CIC	Orsero	BAK	Logista	GVC
Unicaja Banco	GVC	Plc	BAK	Pernod Ricard	CIC	Manitou	CIC
Unicredit	BAK	Repsol	GVC	Remy Cointreau	CIC	Nicolas Correa	GVC
Basic Resources	Mem(*)	Rubis	CIC	Tipiak	CIC	Openjobmetis	BAK
Acerinox	GVC	Saipem	BAK	Vilmorin	CIC	Osai	BAK
Altri	CBI	Technip Energies	CIC	Viscofan	GVC	Prima Industrie	BAK
Arcelormittal	GVC	Technipfmc Plc	CIC	Vranken	CIC	Prosegur	GVC
Ence	GVC	Tecnicas Reunidas	GVC	Healthcare	Mem(*)	Prosegur Cash	GVC
Imerys	CIC	Tenaris	BAK	Abionyx Pharma	CIC	Prysmian	BAK
Neodecortech	BAK	Totalenergies	CIC	Amplifon	BAK	Rai Way	BAK
Semapa	CBI	Vallourec	CIC	Atrys Health	GVC	Rexel	CIC
The Navigator Company	CBI	Fin. Serv. Holdings	Mem(*)	Biomerieux	CIC	Saes	BAK
Tubacex	GVC	Cir	BAK	Crossject	CIC	Salcef	BAK
Chemicals	Mem(*)	Corp. Financiera Alba	GVC	Diasorin	BAK	Talgo	GVC
Air Liquide	CIC	Digital Magics	BAK	El.En.	BAK	Teleperformance	CIC
Arkema	CIC	Eurazeo	CIC	Fermentalg	CIC	Verallia	CIC
Plasticos Compuestos	GVC	Gbl	CIC	Fine Foods	BAK	Vidrala	GVC
Consumer Products & Services	Mem(*)	Peugeot Invest	CIC	Genfit	CIC	Zardoya Otis	GVC
Abeo	CIC	Rallye	CIC	Gpi	BAK	Insurance	Mem(*)
Beneteau	CIC	Tip Tamburi Investment Partners	BAK	Guerbet	CIC	Axa	CIC
Brunello Cucinelli	BAK	Wendel	CIC	Korian	CIC	Catalana Occidente	GVC
Capelli	CIC	Fin. Serv. Industrials	Mem(*)	Oncodesign	CIC	Cattolica Assicurazioni	BAK
De Longhi	BAK	Abitare In	BAK	Orpea	CIC	Generali	BAK
Europcar	CIC	Dovalue	BAK	Prim Sa	GVC	Linea Directa Aseguradora	GVC
Fila	BAK	Nexi	BAK	Recordati	BAK	Mapfre	GVC
Geox	BAK	Tinexta	BAK	Shedir Pharma	BAK	Net Insurance	BAK
Givaudan	CIC	Financial Services Banks	Mem(*)	Theraclion	CIC	Unipolsai	BAK
Groupe Seb	CIC	Amundi	CIC	Vetoquinol	CIC	Materials, Construction	Mem(*)
Hermes Intl.	CIC	Anima	BAK	Virbac	CIC	Acs	GVC
Hexaom	CIC	Azimut	BAK	Industrial Goods & Services	Mem(*)	Aena	GVC
Interparfums	CIC	Banca Generali	BAK	Applus	GVC	Atlantia	BAK
Kaufman & Broad	IAC	Banca Ifis	BAK	Avio	BAK	Buzzi Unicem	BAK

Cementir	BAK	Retail	Mem(*)	Utilities	Mem(*)
Cementos Molins	GVC	Burberry	CIC	A2A	BAK
Clerhp Estructuras	GVC	Fnac Darty	CIC	Acciona	GVC
Eiffage	CIC	Inditex	GVC	Acea	BAK
Fcc	GVC	Unieuro	BAK	Albioma	CIC
Ferrovial	GVC	Technology	Mem(*)	Alerion Clean Power	BAK
Groupe Adp	CIC	Agile Content	GVC	Audax	GVC
Groupe Pujoulat	CIC	Akka Technologies	CIC	Derichebourg	CIC
Groupe Sfp S.A.	CIC	Almawave	BAK	Edp	CBI
Herige	CIC	Alten	CIC	Edp Renováveis	CBI
Holcim	CIC	Amadeus	GVC	Enagas	GVC
Maire Tecnimont	BAK	Atos	CIC	Encavis Ag	CIC
Mota Engil	CBI	Axway Software	CIC	Endesa	GVC
Obrascon Huarte Lain	GVC	Cappemini	CIC	Enel	BAK
Sacyr	GVC	Cast	CIC	E-Pango	CIC
Saint Gobain	CIC	Esi Group	CIC	Erg	BAK
Sergeferrari Group	CIC	Exprivia	BAK	Falck Renewables	BAK
Spie	CIC	Gigas Hosting	GVC	Greenalia	GVC
Tarkett	CIC	Indra Sistemas	GVC	Greenvolt	CBI
Thermador Groupe	CIC	Lleida.Net	GVC	Hera	BAK
Vicat	CIC	Memscap	IAC	Holaluz	GVC
Vinci	CIC	Neurones	CIC	Iberdrola	GVC
Webuild	BAK	Reply	BAK	Iren	BAK
Media	Mem(*)	Sii	CIC	Italgas	BAK
Arnoldo Mondadori Editore	BAK	Sopra Steria Group	CIC	Naturgy	GVC
Atresmedia	GVC	Stmicroelectronics	BAK	Red Electrica Corporacion	GVC
Cairo Communication	BAK	Tier 1 Technology	GVC	Ren	CBI
Digital Bros	BAK	Visiativ	CIC	Snam	BAK
GI Events	CIC	Vogo	CIC	Solaria	GVC
Il Sole 24 Ore	BAK	Telecommunications	Mem(*)	Terna	BAK
Ipsos	CIC	Bouygues	CIC	Volitalia	CIC
Jcdecaux	CIC	Ekinops	CIC		
Lagardere	CIC	Ezentis	GVC		
M6	CIC	Iliad	CIC		
Mediaset	BAK	Nos	CBI		
Mediaset Espana	GVC	Orange	CIC		
Nrj Group	CIC	Telecom Italia	BAK		
Publicis	CIC	Telefonica	GVC		
Rcs Mediagroup	BAK	Tiscali	BAK		
Tf1	CIC	Unidata	BAK		
Universal Music Group	CIC	Vodafone	BAK		
Vivendi	CIC	Travel & Leisure	Mem(*)		
Personal Care, Drug & Grocery S	Mem(*)	Accor	CIC		
Carrefour	CIC	Autogrill	BAK		
Casino	CIC	Compagnie Des Alpes	CIC		
Jeronimo Martins	CBI	Edreams Odigeo	GVC		
Marr	BAK	Elior	CIC		
Sonae	CBI	Fdj	CIC		
Unilever	CIC	Groupe Partouche	IAC		
Winfarm	CIC	I Grandi Viaggi	BAK		
Real Estate	Mem(*)	Ibersol	CBI		
Almagro Capital	GVC	Int. Airlines Group	GVC		
Igd	BAK	Melia Hotels International	GVC		
Lar España	GVC	Nh Hotel Group	GVC		
Merlin Properties	GVC	Pierre Et Vacances	CIC		
Realia	GVC	Sodexo	CIC		

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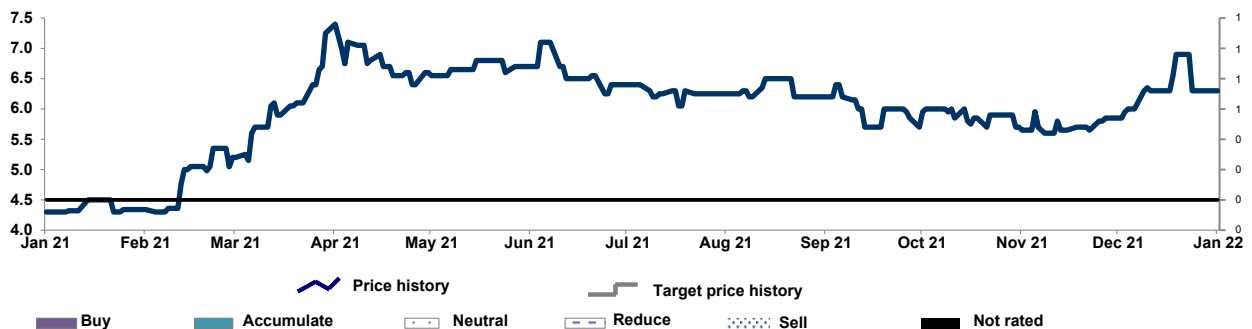
Recommendation history for NBI BEARINGS EUROPE

Date	Recommendation	Target price	Price at change date
27-Jan-22	Buy	7.70	6.30

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

Current analyst: Iñigo Recio Pascual (since 28/01/2022)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

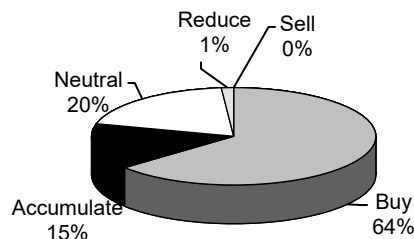
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- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
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- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
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Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets.

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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