

LLYC

Fine-tuning estimates post mixed H1 results

- H1 results slightly below estimates.** LLYC has provided full detail on its H1 results (preliminary results published in July): net sales reached €39.9m, +12% YoY & +8% organically, slightly below our +10% organic growth estimate. Adj. EBITDA reached €8.8m, +9% YoY but +2% organically, also slightly below estimates. Below EBITDA, LLYC reported €4.2m net profit (+9%), vs. our €4.5m estimate.
- Traditional comms slowed down...** Traditional comms has seen a slowdown in H1, with revenues growing +1-2% YoY organically (vs. +8-9% in 2H22) to €26.3m (+9% including BAM which was acquired by mid-H1). We understand that the macro-uncertainties, together with political instability in some LatAm countries (Colombia, Peru, Argentina) took a toll on corporate spending, whilst Spanish regional and general elections (May & July) could have also hit the public affair business. This caught LLYC expanding its workforce and resulted in a 1-2pp EBITDA margin fall LFL (i.e., ex BAM), ending at <25%.
- ...but Deep Digital beat estimates.** However, Deep Digital (marketing services, Comms Tech, etc.) surprised us positively, posting €13.6m revenues which implied c.20% organic growth YoY. The strong performance led margins to expand by >1pp YoY to c.17%. LLYC's main growth engine now weights 26% of group EBITDA, vs. 22% a year ago.
- Net debt rises on M&A.** Net debt (including leases & earn-outs) increased by €13m vs. Dec-22 to €20.5m (or from €3m net cash ex leases & earnouts to €4m net debt), mainly driven by the acquisition of BAM (€10-11m incl. earnouts) and WC financing (c.€4m) due to seasonality. In H2, we expect WC to partly reverse and LLYC's net debt to end at €15m, equivalent to <1XEBITDA.
- Our views.** We are fine-tuning our estimates post mixed H1 results, reflecting better trends in Deep Digital and moderating growth in traditional communication. Bottom line, our estimates sit marginally below the 10% revenue and EBITDA organic growth target for FY23, which we think is remarkable considering that these targets were set at the beginning of the year under a more favourable macro environment. All in all, we expect group EBITDA to accelerate from +2% YoY organically in H1 to +15% in H2 (and +20% reported), helped by both easier comps and full BAM contribution.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	8.4	12.6	16.0	18.4	20.1	21.3
Net profit (€m)	2.2	5.2	7.0	9.2	10.7	11.7
EPS (€)	-	0.45	0.60	0.79	0.92	1.01
Adj. EPS (*) (€)	-	0.56	0.67	0.81	0.95	1.04
P/E (x)	n.a.	27.0	19.0	12.3	10.5	9.6
P/E Adj. (x)	n.a.	21.5	17.0	11.9	10.2	9.3
EV/EBITDA (x)	-	11.8	8.6	6.8	6.0	5.3
Debt/EBITDA (x)	(1.3)	0.3	(0.0)	0.6	0.1	(0.3)
P/BV (x)	n.a.	4.8	3.8	2.6	2.2	1.8
ROE (%)	10.7	18.4	20.5	21.9	21.3	19.7
DPS (€)	-	0.13	0.13	0.20	0.23	0.25
Dividend yield (%)	-	1.1	1.2	2.0	2.4	2.6

(*) Historical multiples based on average share price of the year

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Share Price (*) € 9.70

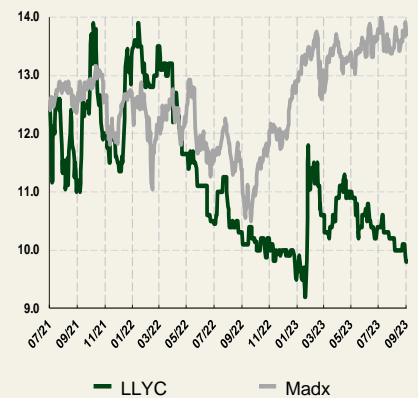
*Share price at the close of 22 September 2023

LLYC.MC / LLYC SM

Market Cap	€ 115 m
Enterprise Value	€ 125 m
Free Float	€ 14 m
Nº Shares	12 m
Average Daily Volume	€ 10 k

Performance

	1m	3m	12m
Absolute %	-3.9	-4.5	-1.7
Relative %	-5.6	-8.6	-29.1



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