

EQUITY - SPAIN

Sector: Media

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12m 2022 Preliminary results

Independent Equity Research

12m 2022 Preliminary results
Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

LLYC is a communication consultancy company operating in the field of corporate communication, digital marketing and public affairs combining traditional corporate communication services with technological and creative capabilities. It has a leadership position in both Spain and Portugal (45% of 2020 revenue) and in Latam (c. 55% of revenue).

Market Data

Market Cap (Mn EUR and USD)	112.0	121.8
EV (Mn EUR and USD) ⁽²⁾	109.3	118.8
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Mín EUR)	13.73 / 11.19 / 9.54	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation ⁽³⁾	2.8	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)⁽⁵⁾

LLYC Partners	54.3
Jose Antonio Llorente	15.6
Otros socios LLYC	9.0
Indumenta Pueri	7.5
Free Float	10.7

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-3.8	-5.2	-27.8	n.a.
vs Ibex 35	-11.3	-18.8	-32.3	n.a.
vs Ibex Small Cap Index	-15.3	-24.8	-31.4	n.a.
vs Eurostoxx 50	-11.6	-19.5	-29.6	n.a.
vs Sector benchmark ⁽⁴⁾	-8.4	-13.5	-29.0	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 1.

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

(4) vs Stoxx Europe 600 Media.

(5) Others: Treasury stock 2.9%, Alejandro Romero 5.2%, Luisa García 2.1%, Adolfo Corujo 1.8%

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

2022 results: revenue (+39% vs 2021). EBITDA in line (+26% vs 2021)

LLYC has released preliminary 2022 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). Results are in line with expectations. Audited 2022 results will be released at the start of March 2023 (when we will update our 2022 figures).

STRONG REVENUE GROWTH CONTINUES (EUR 88.9MN; +38.6% VS 2021)

UNDERPINNED BY M&A... LLYC has closed 2022e with revenue that is above our estimates (+8%). The M&A executed in 2021 has provided 47.7% of total growth (EUR 12Mn, estimated by LH) with organic growth, the main lever of 2022e, of c. EUR 13Mn (vs EUR 8.4Mn in 2021), explained by: i) the wide range of services offered by LLYC, that includes all stages of the cycle (expansive/recessive), ii) geographical and client diversification, iii) a focus on digital services (with higher growth than the other lines; revenue associated with Deep Digital already account for one-third of 2022 revenue vs 22% in 2021) and (iv) a solid base of recurrent revenue (c.50% of revenue in 2021).

ALTHOUGH THE EBITDA MARGIN HAS SUFFERED FROM THE CURRENT CONTEXT

(2022 EBITDA MARGIN -1.8 P.P. VS 2021). Although the EBITDA margin is slightly smaller than expected (2022 Rec. EBITDA margin 18% vs 19.2% in 2022e), 2022e Rec. EBITDA (EUR 16Mn) has been compensated by the higher revenue. The difference in the margin is mainly justified by: i) the smaller operating margins of the acquisitions made at the end of 2021 and ii) the impact of inflation on salaries that accounted for c. 65% of total operating costs.

CASH GENERATION REMAINS ONE OF THE KEYS FOR LLYC.

The business model (capital light), will allow the company to generate 2022e FCF of EUR 6Mn (FCF yield 2022e 5.5%), closing 2022e with a net cash position (2022e: EUR 5.6Mn), having already paid the extraordinary dividend of July 2022 and payments pending on acquisitions from 2021. This is something of particular interest in the current environment.

IN CONCLUSION: LLYC AGAIN DEMONSTRATES ITS RESILIENCE. HIGH GROWTH

DESPITE THE MACRO. The good 2022e results have shown that LLYC is a company capable of weathering adverse macro conditions, maintaining high growth rates (+29.1% CAGR 2020-2022), pointing to 2023e EBITDA of EUR 18Mn. We maintain our idea of LLYC as a defensive company, the leader of its sector, with a net cash position and a pay-out of 20%. The share price performance -12m (-28%) has led LLYC to present 2022 multiples (PER 13.3x and EV/EBITDA 6.9x) below those of its sector (PER 22.3x and EV/EBITDA 12.5x).

Table 1. 12m 2022 Preliminary results

EUR Mn	12m22 Real vs		12m22 Real		
	12m22 Real	12m21	2022e	vs 2022e	
Total Revenues	88.9	64.1	38.6%	82.3	8.1%
Operating revenues*	72.7	51.2	41.9%	66.0	10.1%
Gross Margin/Revenues	81.8%	79.9%	1.9 p.p.	80.3%	1.5 p.p.
Recurrent EBITDA	16.0	12.7	26.2%	15.8	1.2%
Rec. EBITDA/Revenues	18.0%	19.8%	-1.8 p.p.	19.2%	-1.2 p.p.

*Operating revenue: Total revenues less re-invoicing of clients for services.

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	112.0	
+ Minority Interests	0.9	6m Results 2022
+ Provisions & Other L/T Liabilities	0.0	6m Results 2022
+ Net financial debt	(0.3)	6m Results 2022
- Financial Investments	-	6m Results 2022
+/- Others ⁽¹⁾	(3.2)	6m Results 2022
Enterprise Value (EV)	109.3	

(1) Related to the market value of treasury stock.

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-Jan-2023	n.a.	9.62	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas
21-Sep-2022	n.a.	10.30	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
22-Jul-2022	n.a.	10.45	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.84	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.74	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.36	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

