

EQUITY - SPAIN

Sector: Media

 Closing price: EUR 11.50 (8 Mar 2023)
 Report date: 9 Mar 2023 (17:10h)

12m Results 2022
 Independent Equity Research

12m Results 2022

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

Luis Esteban Arribas – luis.esteban@lighthouse-ieaf.com

+34 915 904 226

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 (53% of 2020 revenue) and in Latam (c. 47% of revenue).

2022 Results: in line. Capacity for growth, even in adverse environments (23e EV/EBITDA 7.3x)

Market Data

Market Cap (Mn EUR and USD)	133.9	141.3
EV (Mn EUR and USD) ⁽²⁾	129.6	136.7
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	13.33 / 10.89 / 9.20	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation ⁽³⁾	2.0	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁷⁾

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

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. n ^o shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	89.5	98.4	109.1	121.5
Rec. EBITDA	15.2	17.7	20.2	22.8
% growth	19.6	16.6	14.3	13.0
% Rec. EBITDA/Rev.	17.0	18.0	18.5	18.8
% Inc. EBITDA sector ⁽⁴⁾	12.3	6.3	9.1	
Net Profit	7.0	9.5	11.2	13.0
EPS (EUR)	0.60	0.82	0.97	1.12
% growth	n.a.	37.2	17.8	16.0
Ord. EPS (EUR)	0.65	0.82	0.97	1.12
% growth	n.a.	27.1	17.8	16.0
Rec. Free Cash Flow ⁽⁵⁾	4.6	5.0	8.3	8.9
Pay-out (%)	23.0	23.0	23.0	23.0
DPS (EUR)	0.14	0.19	0.22	0.26
Net financial debt	-1.5	-4.3	-10.0	-15.9
ND/Rec. EBITDA (x)	-0.1	-0.2	-0.5	-0.7
ROE (%)	22.3	25.2	24.5	23.6
ROCE (%) ⁽⁵⁾	27.0	28.7	29.7	30.8

Ratios & Multiples (x) ⁽⁶⁾

	2022	2023e	2024e	2025e
P/E	19.2	14.0	11.9	10.3
Ord. P/E	17.8	14.0	11.9	10.3
P/BV	3.9	3.2	2.7	2.2
Dividend Yield (%)	1.2	1.6	1.9	2.2
EV/Sales	1.45	1.32	1.19	1.07
EV/Rec. EBITDA	8.5	7.3	6.4	5.7
EV/EBIT	11.1	8.7	7.5	6.5
FCF Yield (%) ⁽⁵⁾	3.5	3.7	6.2	6.7

GOOD PERFORMANCE BY REVENUE (EUR 89.5MN; +39.5% VS 2021) AND EBITDA IN LINE.

LLYC has closed 2022 with revenues that have exceeded our estimates (+8.1%). The main reasons are: i) the full integration of the M&A of 2021 (c. EUR 12Mn of non-organic growth), and ii) strong organic growth (EUR 13.5Mn in 2022e), favoured by the forex effect (especially in Brazil and Mexico, driving growth outside Europe). 2022 EBITDA of EUR 15.2Mn, in line with our estimates (that do not include capitalisations), although the 2022 Rec. EBITDA margin (17%; -2.8p.p. vs 2021) has been impacted by: i) the cost of the integration of M&A, ii) the inflationary situation and iii) the forex effect on consolidation (especially on personnel expenses; c.50% of operating costs).

WITH A 2022 NET CASH POSITION OF EUR -1.5MN THAT OPENS THE DOOR TO NON-ORGANIC GROWTH.

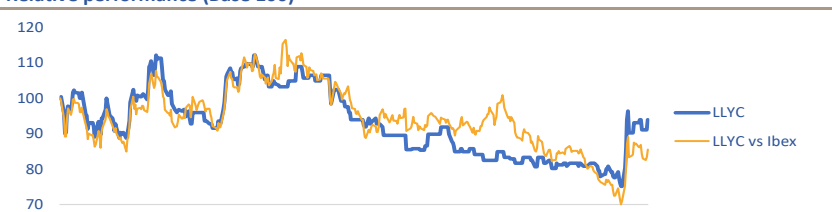
Historically, LLYC has adopted a strategy of non-organic growth (acquiring 5 companies since 2020). The company's capacity for cash generation (2022 Rec. FCF of EUR 4.6Mn) plus its net cash position in 2022 (EUR -1.5Mn) suggests a return to non-organic growth in its commitment to the technologies applied (Deep Digital Business) to its business lines and expansion in countries like the US and Mexico. In addition, after Covid-19, LLYC has returned to its previous dividend policy (Pay-out: 23%).

THESE RESULTS LEAD US TO MAINTAIN OUR ESTIMATES:

Our central scenario envisages revenue of EUR 98.4Mn in 2023e (+10% vs 2022). This is smaller organic growth than in 2022, mainly due to the economic slowdown and the smaller forex effect. Revenue growth that should drive EBITDA to EUR 17.7Mn and improve the 2023e EBITDA margin to 18% (+1p.p. vs 2022) due to the normalisation of the rise in prices and the ability to generate cost synergies in the companies acquired in 2021.

LLYC'S EQUITY STORY LIES IN ITS ABILITY TO GROW WITHOUT WORSENING MARGINS.

LLYC has demonstrated an ability to grow in unfavourable environments (2019-2022) and represents an opportunity for growth and defensiveness (via leadership and diversification) leading to 2025e revenue of EUR 121Mn (+10.7% CAGR 2022-2025), that translates to 2025e EBITDA of EUR 22.8Mn. Despite the good performance of the share price YTD (+15%), the current 2023e multiple is 7.3x EV/EBITDA (vs 9.8x EV/EBITDA of its sector).

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	23.4	15.7	-9.0	15.0	n.a.	n.a.
vs Ibex 35	20.3	0.5	-25.2	0.0	n.a.	n.a.
vs Ibex Small Cap Index	23.2	0.3	-15.7	-3.2	n.a.	n.a.
vs Eurostoxx 50	21.1	5.8	-25.6	1.7	n.a.	n.a.
vs Sector benchmark ⁽⁴⁾	20.7	7.3	-22.5	3.3	n.a.	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 3.
 (3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Media.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

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

(7) 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 Company, Factset and Lighthouse.

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

LLYC is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

12m Results 2022
2022 Results

EUR Mn	12m22 Real	12m21	12m22 Real vs		12m22 Real vs 2022e
			12m21	2022e	
Total Revenues	89.5	64.1	39.5%	82.3	-8.1%
Operating revenues*	72.7	53.3	36.5%	66.0	10.2%
<i>Gross Margin/Revenues</i>	<i>81.3%</i>	<i>83.1%</i>	<i>-1.8 p.p.</i>	<i>80.3%</i>	<i>1.0 p.p.</i>
Recurrent EBITDA	15.2	12.7	19.6%	15.8	-4.0%
<i>Rec. EBITDA/Revenues</i>	<i>17.0%</i>	<i>19.8%</i>	<i>-2.8 p.p.</i>	<i>19.2%</i>	<i>-2.3 p.p.</i>
EBITDA	14.4	11.2	28.9%	15.8	-8.9%
<i>EBITDA/Revenues</i>	<i>16.1%</i>	<i>17.4%</i>	<i>-1.3 p.p.</i>	<i>19.2%</i>	<i>-3.1 p.p.</i>
EBIT	11.7	8.5	37.6%	13.0	-10.3%
PBT	10.3	7.9	29.9%	12.5	-17.3%
NP	7.0	5.3	30.6%	8.4	-17.3%
Rec. FCF	4.6	3.2	43.2%	5.7	-19.0%
<i>Rec. FCF Yield</i>	<i>3.5%</i>	<i>2.4%</i>	<i>1.0 p.p.</i>	<i>4.3%</i>	<i>-0.8 p.p.</i>
Net Debt/Net Cash ¹	-1.5	-1.1	-39.8%	-5.3	-71.1%
ND / EBITDA	-0.1 x	-0.1 x	0.0 x	-0.3 x	-0.2 x

Operating revenues*: Total revenues less re-invoicing of client services (gross margin in our numbers).

Note 1: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 7.4Mn and EUR 8.1Mn in 2022 and 2021, respectively).

Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	5.3	8.5	8.9	118.9		
Market Cap	133.9	At the date of this report				
Net financial debt	-1.5	Debt net of Cash (6m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.8%	4.3%
Tax rate (T)	30.0%	T (Normalised tax rate)			=	=
Net debt cost	2.8%	Kd = Cost of Net Debt * (1-T)			2.6%	3.0%
Risk free rate (rf)	3.7%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	9.7%	Ke = Rf + (R * B)			8.6%	10.8%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	9.7%	WACC = Kd * D + Ke * E			8.6%	10.8%
G "Fair"	2.0%				2.0%	1.5%

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

Inputs for the Multiples Valuation Approach

Company	Ticker	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
WPP-GB	WPP-GB	12,355.9	9.9	8.3%	7.3	4.8%	1.3	3.6%	17.9%	9.1%	16.9%
Publicis	PUB-FR	19,566.8	11.6	4.1%	7.3	2.9%	1.6	3.2%	22.1%	8.9%	7.4%
Omnicom	OMC-US	17,300.5	12.2	7.2%	8.8	4.1%	1.5	3.6%	16.7%	9.6%	2.3%
Interpublic	IPG-US	12,754.8	12.2	6.9%	8.5	4.6%	1.6	6.1%	18.7%	9.5%	5.8%
Media			11.5	6.6%	8.0	4.1%	1.5	4.1%	18.8%	9.3%	8.1%
FTI Consulting	FCN-US	5,808.7	24.5	15.9%	15.3	n.a.	1.9	6.4%	12.1%	n.a.	n.a.
Bluefocus Intelligent	300058-CN	2,100.0	23.6	n.a.	13.2	n.a.	0.3	n.a.	2.2%	n.a.	n.a.
Next Fifteen	NFC-GB	1,097.3	11.0	7.3%	7.3	7.6%	1.7	6.2%	22.8%	10.1%	n.a.
Hopscotch Group	ALHOP-FR	52.0	10.4	n.a.	3.5	n.a.	0.2	n.a.	6.4%	15.8%	n.a.
Communication Agencies			17.4	11.6%	9.8	7.6%	1.0	6.3%	10.9%	12.9%	n.a.
LLYC	LLYC-ES	133.9	14.0	16.9%	7.3	13.6%	1.3	11.1%	18.0%	3.7%	34.1%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	19.4%	21.2	6.1x
Central	18.5%	20.2	6.4x
Min	17.6%	19.2	6.7x

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

Rec. FCF EUR Mn	CAPEX/Sales 24e				Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	2.5%	2.8%	3.1%		Max	7.2%	6.9%	6.7%
21.2	9.6	9.3	8.9	➔	Central	6.4%	6.2%	5.9%
20.2	8.6	8.3	8.0		Min	5.7%	5.5%	5.2%
19.2	7.6	7.3	7.0					

Appendix 1. Financial Projections

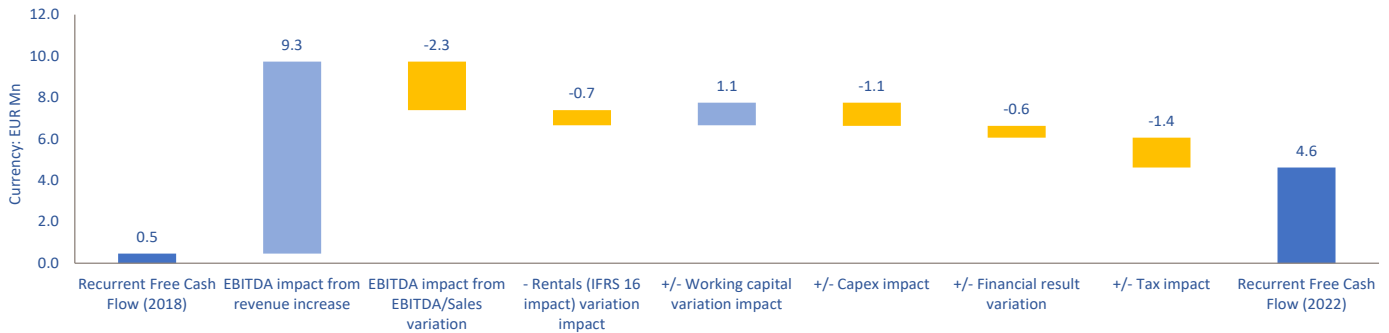
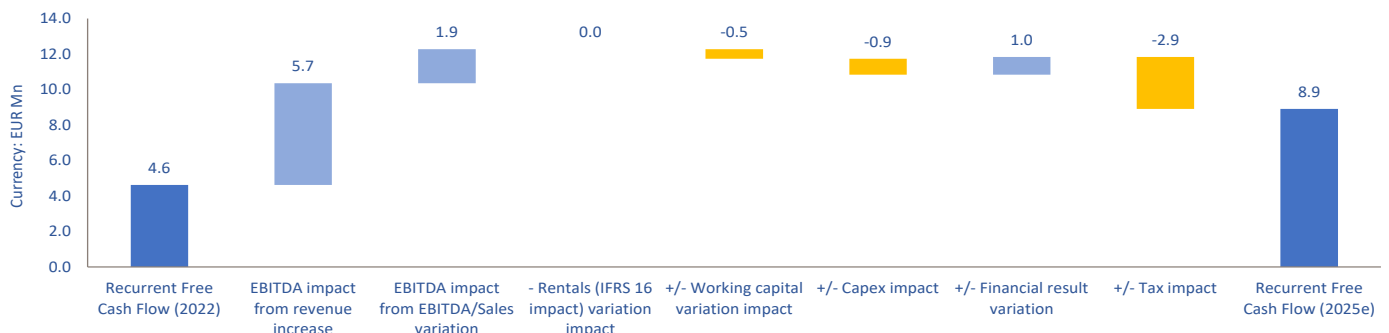
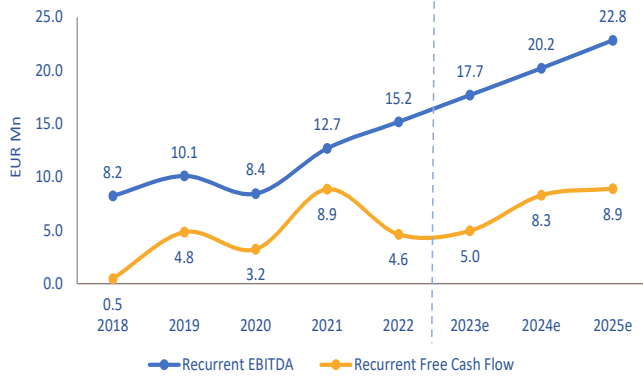
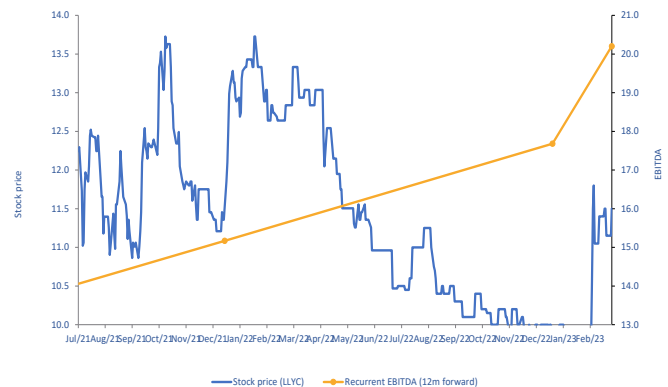
Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	1.8	10.5	10.2	12.7	13.1	14.0	15.0	16.0		
Fixed assets	3.3	1.4	2.4	2.3	2.2	3.5	4.8	6.3		
Other Non Current Assets	1.8	2.0	2.0	2.7	2.5	2.5	2.5	2.5		
Financial Investments	-	-	-	-	-	-	-	-		
Goodwill & Other Intangibles	3.3	2.9	3.4	15.3	18.1	18.1	18.1	18.1		
Current assets	14.4	16.4	13.3	22.1	22.9	27.0	29.4	30.8		
Total assets	24.6	33.2	31.2	55.1	58.9	65.1	69.8	73.9		
Equity	16.8	22.0	20.9	28.2	34.2	41.5	50.2	60.2		
Minority Interests	3.7	3.5	3.4	1.2	1.1	1.7	2.4	3.2		
Provisions & Other L/T Liabilities	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
Other Non Current Liabilities	-	5.3	6.2	8.1	7.4	7.4	7.4	7.4		
Net financial debt	(4.6)	(7.3)	(8.1)	(1.1)	(1.5)	(4.3)	(10.0)	(15.9)		
Current Liabilities	8.1	9.6	8.7	18.8	17.7	18.7	19.8	18.8		
Equity & Total Liabilities	24.6	33.2	31.2	55.1	58.9	65.1	69.8	73.9		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	41.5	48.2	44.7	64.1	89.5	98.4	109.1	121.5	21.2%	10.7%
<i>Total Revenues growth</i>	7.2%	16.0%	-7.2%	43.5%	39.5%	10.0%	10.8%	11.4%		
COGS	(5.1)	(7.2)	(6.6)	(10.9)	(16.8)	(18.0)	(19.8)	(22.4)		
Gross Margin	36.5	40.9	38.1	53.3	72.7	80.4	89.3	99.1	18.8%	10.9%
<i>Gross Margin/Revenues</i>	87.8%	85.0%	85.3%	83.1%	81.3%	81.7%	81.8%	81.6%		
Personnel Expenses	(22.2)	(24.6)	(24.3)	(31.6)	(45.9)	(50.3)	(55.6)	(61.6)		
Other Operating Expenses	(6.0)	(6.2)	(5.4)	(9.0)	(11.7)	(12.4)	(13.5)	(14.7)		
Recurrent EBITDA	8.2	10.1	8.4	12.7	15.2	17.7	20.2	22.8	16.5%	14.6%
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	19.6%	16.6%	14.3%	13.0%		
<i>Rec. EBITDA/Revenues</i>	19.9%	21.0%	18.9%	19.8%	17.0%	18.0%	18.5%	18.8%		
Restructuring Expense & Other non-rec.	(0.5)	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
EBITDA	7.8	10.1	8.1	11.2	14.4	17.7	20.2	22.8	16.7%	16.6%
Depreciation & Provisions	(1.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.5)	(1.7)	(1.9)		
Capitalized Expense	-	-	-	-	0.8	0.9	1.0	1.1		
Rentals (IFRS 16 impact)	(1.4)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
EBIT	4.7	7.8	5.8	8.5	11.7	14.9	17.3	19.8	25.7%	19.3%
<i>EBIT growth</i>	-9.2%	66.5%	-25.3%	45.9%	37.6%	27.8%	16.1%	14.4%		
<i>EBIT/Revenues</i>	11.3%	16.2%	13.0%	13.2%	13.0%	15.2%	15.9%	16.3%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.5)	(0.7)	(0.6)	(1.4)	(0.4)	(0.3)	(0.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	4.2	7.3	5.1	7.9	10.3	14.5	17.1	19.8	25.0%	24.3%
<i>Ordinary Profit Growth</i>	-3.7%	73.1%	-29.6%	54.4%	29.9%	40.6%	17.8%	16.0%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	4.2	7.3	5.1	7.9	10.3	14.5	17.1	19.8	25.0%	24.3%
Tax Expense	(1.6)	(2.2)	(2.2)	(2.4)	(2.9)	(4.3)	(5.1)	(5.9)		
<i>Effective Tax Rate</i>	37.3%	29.9%	42.5%	30.4%	28.3%	30.0%	30.0%	30.0%		
Minority Interests	(0.9)	(0.9)	(0.7)	(0.2)	(0.4)	(0.6)	(0.7)	(0.8)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	1.8	4.3	2.3	5.3	7.0	9.5	11.2	13.0	40.6%	23.3%
<i>Net Profit growth</i>	20.0%	138.7%	-46.6%	134.6%	30.6%	37.2%	17.8%	16.0%		
Ordinary Net Profit	2.4	4.3	3.1	6.4	7.5	9.5	11.2	13.0	32.7%	20.2%
<i>Ordinary Net Profit growth</i>	-9.1%	76.8%	-26.9%	105.1%	17.1%	27.1%	17.8%	16.0%		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						17.7	20.2	22.8	16.5%	14.6%
Rentals (IFRS 16 impact)						(2.1)	(2.1)	(2.1)		
Working Capital Increase						(3.0)	(1.3)	(2.4)		
Recurrent Operating Cash Flow						12.5	16.7	18.3	30.2%	17.8%
CAPEX						(2.8)	(3.1)	(3.4)		
Net Financial Result affecting the Cash Flow						(0.4)	(0.3)	(0.0)		
Tax Expense						(4.3)	(5.1)	(5.9)		
Recurrent Free Cash Flow						5.0	8.3	8.9	77.6%	24.4%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						5.0	8.3	8.9	75.4%	32.2%
Capital Increase						-	-	-		
Dividends						(2.2)	(2.6)	(3.0)		
Net Debt Variation						(2.8)	(5.7)	(5.9)		

Note 1: Historical data adjusted for: (i) gross margin (not available for 2016) and (ii) IFRS 16 adjustments from FY17 in P&L (not adjusted in balance sheet: other non current liabilities).

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	10.1	8.4	12.7	15.2	17.7	20.2	22.8	14.5%	14.6%
<i>Recurrent EBITDA growth</i>	22.6%	-16.4%	50.2%	19.6%	16.6%	14.3%	13.0%		
<i>Rec. EBITDA/Revenues</i>	21.0%	18.9%	19.8%	17.0%	18.0%	18.5%	18.8%		
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(3.0)	(1.3)	(2.4)		
= Recurrent Operating Cash Flow	8.0	9.3	12.4	11.2	12.5	16.7	18.3	11.7%	17.8%
<i>Rec. Operating Cash Flow growth</i>	106.6%	15.7%	34.1%	-10.2%	11.8%	33.9%	9.3%		
<i>Rec. Operating Cash Flow / Sales</i>	16.6%	20.8%	19.4%	12.5%	12.7%	15.3%	15.0%		
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.4)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.7)	(0.6)	(1.0)	(0.4)	(0.3)	(0.0)		
- Taxes	(2.2)	(2.2)	(1.6)	(3.0)	(4.3)	(5.1)	(5.9)		
= Recurrent Free Cash Flow	4.8	3.2	8.9	4.6	5.0	8.3	8.9	-1.5%	24.4%
<i>Rec. Free Cash Flow growth</i>	938.8%	-33.2%	174.4%	-47.8%	7.1%	67.4%	7.5%		
<i>Rec. Free Cash Flow / Revenues</i>	10.0%	7.2%	13.8%	5.2%	5.0%	7.6%	7.3%		
- Restructuring expenses & others	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	4.8	0.7	(9.0)	3.9	5.0	8.3	8.9	-7.0%	32.2%
<i>Free Cash Flow growth</i>	n.a.	-84.5%	n.a.	142.7%	28.6%	67.4%	7.5%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	3.6%	2.4%	6.6%	3.5%	3.7%	6.2%	6.7%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	3.6%	0.6%	n.a.	2.9%	3.7%	6.2%	6.7%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Recurrent FCF(FY - 1)	0.5	4.8	3.2	8.9	4.6	5.0	8.3		
EBITDA impact from revenue increase	1.3	(0.7)	3.7	5.0	1.5	1.9	2.3		
EBITDA impact from EBITDA/Sales variation	0.5	(0.9)	0.6	(2.5)	1.0	0.6	0.3		
= Recurrent EBITDA variation	1.9	(1.7)	4.2	2.5	2.5	2.5	2.6		
- Rentals (IFRS 16 impact) variation impact	(0.1)	0.2	(0.2)	(0.6)	-	-	-		
+/- Working capital variation impact	2.4	2.7	(0.9)	(3.2)	(1.2)	1.7	(1.1)		
= Recurrent Operating Cash Flow variation	4.1	1.3	3.2	(1.3)	1.3	4.2	1.6		
+/- CAPEX impact	0.9	(2.7)	1.7	(1.0)	(0.3)	(0.3)	(0.3)		
+/- Financial result variation	(0.0)	(0.2)	0.1	(0.5)	0.6	0.2	0.2		
+/- Tax impact	(0.6)	(0.0)	0.6	(1.5)	(1.3)	(0.8)	(0.8)		
= Recurrent Free Cash Flow variation	4.4	(1.6)	5.6	(4.2)	0.3	3.3	0.6		
Recurrent Free Cash Flow	4.8	3.2	8.9	4.6	5.0	8.3	8.9		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	7.8	5.8	8.5	11.7	14.9	17.3	19.8	14.5%	19.3%
* Theoretical Tax rate	29.9%	30.0%	30.0%	28.3%	30.0%	30.0%	30.0%		
= Taxes (pre- Net Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.5)	(5.2)	(5.9)		
Recurrent EBITDA	10.1	8.4	12.7	15.2	17.7	20.2	22.8	14.5%	14.6%
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(3.0)	(1.3)	(2.4)		
= Recurrent Operating Cash Flow	8.0	9.3	12.4	11.2	12.5	16.7	18.3	11.7%	17.8%
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.4)		
- Taxes (pre- Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.5)	(5.2)	(5.9)		
= Recurrent Free Cash Flow (To the Firm)	5.2	4.3	8.4	5.4	5.3	8.5	8.9	1.2%	18.6%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	372.3%	-15.9%	93.7%	-36.4%	-1.8%	61.2%	5.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	10.7%	9.7%	13.1%	6.0%	5.3%	7.8%	7.3%		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	5.2	2.2	(8.0)	5.4	5.3	8.5	8.9	1.2%	18.6%
<i>Free Cash Flow (To the Firm) growth</i>	243.2%	-58.1%	-467.7%	167.3%	-1.8%	61.2%	5.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	4.0%	3.4%	6.5%	4.1%	4.1%	6.5%	6.9%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.0%	1.7%	n.a.	4.1%	4.1%	6.5%	6.9%		

Note 1: Historical data adjusted for: (i) gross margin (not available for 2016) and (ii) IFRS 16 adjustments from FY17 in P&L (not adjusted in balance sheet: other non current liabilities).

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

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

Recurrent EBITDA vs Recurrent Free Cash Flow

Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	133.9	
+ Minority Interests	1.1	6m Results 2022
+ Provisions & Other L/T Liabilities	0.0	6m Results 2022
+ Net financial debt	(1.5)	6m Results 2022
- Financial Investments	-	6m Results 2022
+/- Others ⁽¹⁾	(3.9)	6m Results 2022
Enterprise Value (EV)	129.6	

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

Appendix 4. Main peers 2023e

		Media				Communication Agencies						
EUR Mn		WPP-GB	Publicis	Omnicom	Interpublic	Average	FTI Consulting	Bluefocus Intelligent	Next Fifteen	Hopscotch Group	Average	LLYC
Market data	Ticker (Factset)	WPP-GB	PUB-FR	OMC-US	IPG-US		FCN-US	300058-CN	NFC-GB	ALHOP-FR		LLYC-ES
	Country	UK	France	USA	USA		USA	China	UK	France		Spain
	Market cap	12,355.9	19,566.8	17,300.5	12,754.8		5,808.7	2,100.0	1,097.3	52.0		133.9
	Enterprise value (EV)	18,154.9	20,877.5	20,396.1	14,728.5		5,881.7	1,727.0	1,173.5	56.0		129.6
Basic financial information	Total Revenues	13,983.7	12,983.7	13,955.6	9,233.0		3,176.5	5,888.3	708.1	248.8		98.4
	Total Revenues growth	-13.6%	-8.5%	3.1%	-10.8%	-7.5%	10.7%	14.5%	12.5%	0.8%	9.6%	10.0%
	2y CAGR (2023e - 2025e)	3.6%	3.2%	3.6%	6.1%	4.1%	6.4%	n.a.	6.2%	n.a.	6.3%	11.1%
	EBITDA	2,500.7	2,871.7	2,326.3	1,723.4		384.2	130.8	161.7	15.8		17.7
	EBITDA growth	19.2%	-0.4%	1.6%	3.5%	6.0%	13.3%	376.7%	13.4%	n.a.	134.5%	22.8%
	2y CAGR (2023e - 2025e)	4.8%	2.9%	4.1%	4.6%	4.1%	n.a.	n.a.	7.6%	n.a.	7.6%	13.6%
	EBITDA/Revenues	17.9%	22.1%	16.7%	18.7%	18.8%	12.1%	2.2%	22.8%	6.4%	10.9%	18.0%
	EBIT	2,084.5	2,202.8	2,122.0	1,471.6		340.3	105.9	144.0	9.6		14.9
	EBIT growth	36.8%	6.9%	1.9%	4.7%	12.6%	15.0%	369.8%	14.3%	-88.9%	77.6%	27.8%
	2y CAGR (2023e - 2025e)	6.3%	4.2%	4.2%	4.9%	4.9%	12.0%	n.a.	5.6%	n.a.	8.8%	15.2%
	EBIT/Revenues	14.9%	17.0%	15.2%	15.9%	15.8%	10.7%	1.8%	20.3%	3.9%	9.2%	15.2%
	Net Profit	1,262.0	1,459.5	1,403.2	1,027.8		246.8	83.1	83.0	5.0		9.5
	Net Profit growth	64.8%	19.4%	12.5%	15.6%	28.1%	10.6%	293.3%	17.2%	n.a.	107.0%	37.2%
	2y CAGR (2023e - 2025e)	7.1%	4.9%	4.3%	5.7%	5.5%	12.4%	n.a.	-1.4%	n.a.	5.5%	16.9%
CAPEX/Sales %	2.5%	2.2%	0.7%	2.0%	1.9%	n.a.	0.3%	1.2%	0.3%	0.6%	2.8%	
Free Cash Flow	1,123.0	1,744.9	1,665.1	1,209.3		n.a.	(86.5)	110.9	8.2		5.0	
Net financial debt	3,444.9	(505.3)	721.9	(38.9)		n.a.	(170.9)	(4.5)	(16.8)		(4.3)	
ND/EBITDA (x)	1.4	n.a.	0.3	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	(0.2)	
Pay-out	39.9%	52.1%	41.2%	44.9%	44.5%	n.a.	11.1%	20.3%	n.a.	15.7%	23.0%	
Multiples and Ratios	P/E (x)	9.9	11.6	12.2	12.2	11.5	24.5	23.6	11.0	10.4	17.4	14.0
	P/BV (x)	2.7	1.8	5.0	3.4	3.2	n.a.	1.5	n.a.	2.1	1.8	3.2
	EV/Revenues (x)	1.3	1.6	1.5	1.6	1.5	1.9	0.3	1.7	0.2	1.0	1.3
	EV/EBITDA (x)	7.3	7.3	8.8	8.5	8.0	15.3	13.2	7.3	3.5	9.8	7.3
	EV/EBIT (x)	8.7	9.5	9.6	10.0	9.5	17.3	16.3	8.2	5.8	11.9	8.7
	ROE	27.4	15.8	40.7	27.7	27.9	n.a.	6.6	n.a.	20.3	13.4	25.2
	FCF Yield (%)	9.1	8.9	9.6	9.5	9.3	n.a.	n.a.	10.1	15.8	12.9	3.7
	DPS	0.46	3.03	2.81	1.18	1.87	n.a.	0.00	0.18	0.00	0.06	0.19
	Dvd Yield	4.0%	3.9%	3.3%	3.6%	3.7%	n.a.	0.5%	1.6%	0.0%	0.7%	1.6%

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

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

LIGHTHOUSE

Calle Basílica, 17, 1ª Planta, Oficinas
28020 Madrid
T: +34 915 904 226
institodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

David López Sánchez

Equity research

david.lopez@lighthouse-ieaf.com

Luis Esteban Arribas

Equity research

luis.esteban@lighthouse-ieaf.com

Enrique Andrés Abad

Equity research

enrique.andres@lighthouse-ieaf.com

Jesús López Gómez

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
09-Mar-2023	n.a.	11.50	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
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

