

## LLYC

### A well-run advisory firm with ambitious growth plans

- What is LLYC?** LLYC is a communication, public affairs & marketing consultancy firm founded >25Y ago by Mr. Llorente (chairman & largest shareholder), listed in July 2021. LLYC aims to lever on its brand awareness, know-how and recurrent profits in communication (70% of EBITDA) to scale up its Comms Tech services and recently added marketing & creativity services, which are faster-growth complementary niches. In 2022, LLYC made sales & EBITDA of €73m & €16m, +90% vs. 2020 (50% M&A driven), with Europe & America making for c.50% each.
- The positives:** 1) Client retention is high (>50% of its top 20 clients with >5Y relationships) and c.55% of revenues are recurrent (annual contracts), providing high earnings & CF visibility. In addition, it has a strong diversification in terms of clients, products, and geographies; 2) sound growth prospects for both the industry (mid-to-high single-digit) and LLYC (11-12% revenue & EBITDA CAGR 2022-25, 75% organically); 3) high market fragmentation & strong B/S (debt-free in 2022) allows for M&A opportunities (4 acquisitions in the L2Y); and 4) LLYC has a strong management team and an aligned shareholder structure.
- The negatives:** 1) LLYC operates in a very competitive market which makes it difficult to raise prices, whilst operating leverage is very limited; 2) high reliance on talent acquisition & retention (staff costs account for >60% of sales), and the scarcity of supply and wage inflation are making this increasingly difficult; 3) LLYC has a large exposure to LatAm (c.40% of EBITDA), with FX & political risks; and 4) there is execution risk in its growth plans.
- Our estimates.** LLYC set an ambitious strategic plan for 2023-25 aimed at nearly doubling the group's size: it targets revenues & EBITDA of €130m & €27m by 2025, or c.80% & c.70% growth, respectively, vs. 2022. Excluding the €40m in M&A investments included in the targets (to be self-funded), we think that the underlying growth ambitions are achievable: we look for revenues, EBITDA & EPS to grow by 40%, 35% & 65% over 2022-25 (>75% organically), respectively.
- Attractive valuation.** Our DCF model (10.1% WACC, 2.5% g) derives a valuation range of €11.9-15.0p.s. (5-7% & 20-22% LT sales growth & margins range), and implies 8-10X23 EV/EBITDA & 10-40% upside potential from market prices. LLYC currently trades at 7X, in line with large media holdings which we think is unjustified as LLYC enjoys faster growth (10-15% vs. +3-4% in 2023-24), with better margins, and counts with a potentially material M&A growth driver.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	8.4	12.6	16.0	18.7	20.3	21.6
Net profit (€m)	2.2	5.2	7.0	9.6	10.6	11.6
EPS (€)	-	0.45	0.60	0.82	0.91	1.00
Adj. EPS (€)	-	0.56	0.67	0.85	0.94	1.03
P/E (x)	n.a.	27.0	19.0	13.2	11.8	10.8
P/E Adj. (x)	n.a.	21.5	17.0	12.8	11.5	10.5
EV/EBITDA (x)	-	11.8	8.6	7.3	6.4	5.7
Debt/EBITDA (x)	(1.3)	0.3	(0.0)	0.3	(0.0)	(0.4)
P/BV (x)	n.a.	4.8	3.8	2.9	2.4	2.0
ROE (%)	10.7	18.4	20.5	22.6	21.0	19.4
DPS (€)	-	0.13	0.13	0.21	0.23	0.25
Dividend yield (%)	-	1.1	1.2	1.9	2.1	2.3

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

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Share Price (\*) € 10.80

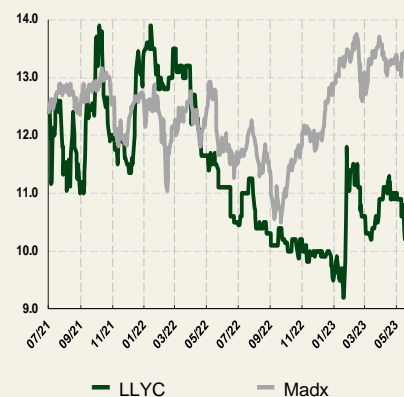
\*Share price at the close of 28<sup>th</sup> June 2023

#### LLYC.MC / LLYC SM

Market Cap	€ 126 m
Enterprise Value	€ 136 m
Free Float	€ 16 m
Nº Shares	12 m
Average Daily Volume	€ 6 k

#### Performance

	1m	3m	12m
Absolute %	0.0	2.9	-2.7
Relative %	-5.0	-2.8	-21.0



#### Shareholders

LLYC Partners 54.3%, Mr. Llorente 15.6%, Global Portfolio 7.5%, Mr. Romero 5.2%, Mrs. García 2.1%, Treasury shares 2.9%, Free Float 12.5%

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