

EQUITY - SPAIN

Sector: Media

Closing price: EUR 10.40 (26 Jul 2023)

Report date: 27 Jul 2023 (8:30h)

6m 2023 Preliminary results

Independent Equity Research

6m 2023 Preliminary results

 Opinion ⁽¹⁾: Below expectations

 Impact ⁽¹⁾: We will maintain our estimates

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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).

1H23 earnings: LLYC improves its profitability vs 2H 2022

Market Data

Market Cap (Mn EUR and USD)	121.1	133.9
EV (Mn EUR and USD) ⁽²⁾	117.1	129.6
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	11.65 / 10.30 / 9.08	
Daily Avg volume (-12m Mn EUR)	n.m.	
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	9.1
Indumenta Pueri	7.5
Free Float	10.7

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	89.5	104.4	115.9	126.2
Rec. EBITDA	15.2	19.1	21.5	23.7
% growth	19.6	26.0	12.6	10.0
% Rec. EBITDA/Rev.	17.0	18.3	18.6	18.8
% Inc. EBITDA sector ⁽⁴⁾	13.9	7.3	8.8	6.0
Net Profit	7.0	9.7	10.9	12.3
EPS (EUR)	0.60	0.83	0.93	1.05
% growth	18.6	39.5	12.0	12.8
Ord. EPS (EUR)	0.65	0.83	0.93	1.05
% growth	6.4	29.2	12.0	12.8
Rec. Free Cash Flow ⁽⁵⁾	4.6	6.3	8.8	9.7
Pay-out (%)	23.0	23.0	23.0	23.0
DPS (EUR)	0.14	0.19	0.21	0.24
Net financial debt	-1.5	4.0	-2.3	-9.1
ND/Rec. EBITDA (x)	-0.1	0.2	-0.1	-0.4
ROE (%)	22.3	25.6	23.7	22.4
ROCE (%) ⁽⁵⁾	27.0	27.4	25.5	26.7

Ratios & Multiples (x) ⁽⁶⁾

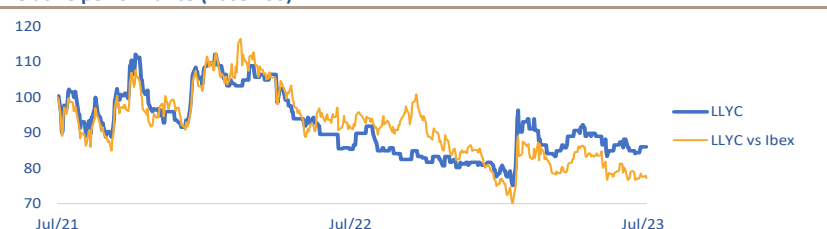
	2022	2023e	2024e	2025e
P/E	17.4	12.5	11.1	9.9
Ord. P/E	16.1	12.5	11.1	9.9
P/BV	3.5	2.9	2.4	2.0
Dividend Yield (%)	1.3	1.8	2.1	2.3
EV/Sales	1.31	1.12	1.01	0.93
EV/Rec. EBITDA	7.7	6.1	5.4	4.9
EV/EBIT	10.0	7.3	6.5	5.9
FCF Yield (%) ⁽⁵⁾	3.8	5.2	7.3	8.0

SLOWER REVENUE GROWTH (REVENUE 1H23: +11.7% VS 1H22)... LLYC obtained revenue in 1H23 of EUR 48.7Mn (vs EUR 43.6Mn in 1H22). This was short of our 12m estimates, due to the downturn in activity in 1Q23. Highlights: i) consolidation of 3 months of BAM (c. EUR 1.6Mn; which explains 31% of the total increase in revenue in 1H23), ii) increased weight of Deep Digital, a key cross-cutting activity for the business model, to 34% of operating revenue (+2 p.p.). By geography, the Americas (Latam and US) had a c. 56% share of the revenue mix (in line with 1H22).

...ALTHOUGH PROFITABILITY LEVEL RECOVERS (REC. EBITDA OF EUR 8.3Mn; REC. EBITDA MARGIN 1H23 17%). This came even though the EBITDA margin in 1H23 narrowed by -1.5p.p. vs 1H22. LLYC fared well in terms of recovering profitability (rec. EBITDA margin 1H23 of 17%) after the inflation-induced drop in 2H22 (rec. EBITDA margin 2H22 of 15.4%), which particularly affected personnel expenses (c. 50% of revenue in 2022) and other operating expenses. Driving the recovery were: i) the company's leadership position in its operating markets, enabling it to pass through higher costs to prices and ii) tight cost control, to sustain margins.

WE REITERATE OUR ESTIMATES. Both revenue and margins in 1H23 were below our 12m expectations. However, we are keeping our estimates for FY 2023e (revenue of EUR 104.4Mn and rec. EBITDA of EUR 19.1Mn) as we expect improvement going forward for the following reasons: i) the recovery of activity in 2H, which will boost organic growth (>10%) and ii) the consolidation of BAM for 6 months, which will imply EUR 3.6Mn of additional revenue to organic growth. LLYC's "proven" ability to rein in costs bodes well for improved profitability in 2H23. Meanwhile, debt is low (ND 2023e: EUR 4Mn; ND/EBITDA 0.2x), leaving room for further M&A action.

LLYC'S STORY IS PREDICATED ON GROWING WHILE SUSTAINING MARGINS. What really illustrates LLYC's equity story is: its ability to grow both organically and through M&A while remaining "profitable". This results in: i) positive rec. FCF generation, ii) low leverage and iii) ability to pay dividends (pay-out: c.23%). LLYC is currently trading at 2023e multiples of 6.1x EV/EBITDA (vs 8.6x EV/EBITDA for the sector; with higher EBITDA growth 2023e-2025e of +7p.p. vs comps).

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.5	-3.3	-0.6	5.4	n.a.	n.a.
vs Ibex 35	-4.9	-6.4	-16.5	-9.7	n.a.	n.a.
vs Ibex Small Cap Index	-3.7	-7.9	-5.5	-7.3	n.a.	n.a.
vs Eurostoxx 50	-3.0	-3.3	-18.2	-8.0	n.a.	n.a.
vs Sector benchmark ⁽⁴⁾	-3.5	-1.0	-8.2	-4.3	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 2.8%, Alejandro Romero 5.2%, Luisa Garcia 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. 140 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).

6m 2023 Preliminary results

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LLYC has released preliminary 1H23 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). The audited 1H23 results will be released at the end of September 2023.

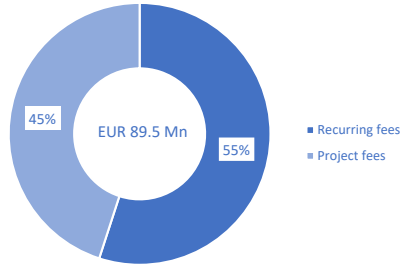
EUR Mn	6m23 Real	6m22	6m23 Real vs		2023e vs
			6m22	2023e	2022 Real
Total Revenues	48.7	43.6	11.7%	104.4	16.7%
Operating revenues⁽¹⁾	39.9	35.6	12.2%	85.9	18.1%
<i>Gross Margin/Revenues</i>	<i>81.9%</i>	<i>81.6%</i>	<i>0.4 p.p.</i>	<i>82.3%</i>	<i>1.0 p.p.</i>
Recurrent EBITDA⁽²⁾	8.3	8.1	2.5%	19.1	26.0%
<i>Rec. EBITDA/Revenues</i>	<i>17.0%</i>	<i>18.6%</i>	<i>-1.5 p.p.</i>	<i>18.3%</i>	<i>1.4 p.p.</i>

Note 1: Total revenues less re-invoicing of clients for services (gross margin in our numbers).

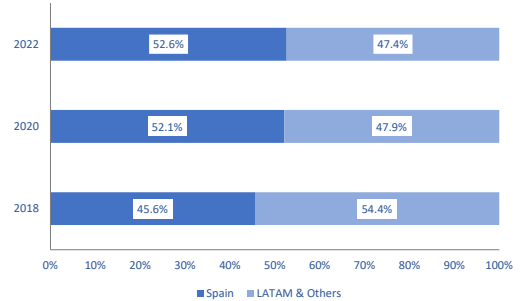
Note 2: Rec. EBITDA adjusted to strip out the impact of: "Work carried out by the group on its assets" for EUR 0.5Mn and EUR Mn in 1H23 and 1H22, respectively

La compañía en 8 gráficos

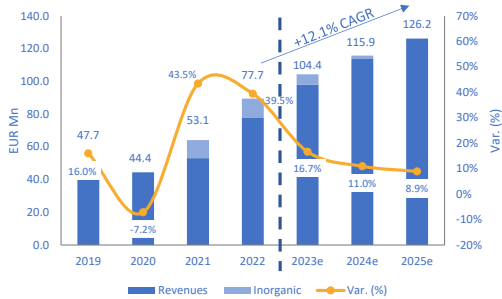
LLYC's business enjoys a (broad) base of recurring revenue (c.55% of total revenue in 2022)...



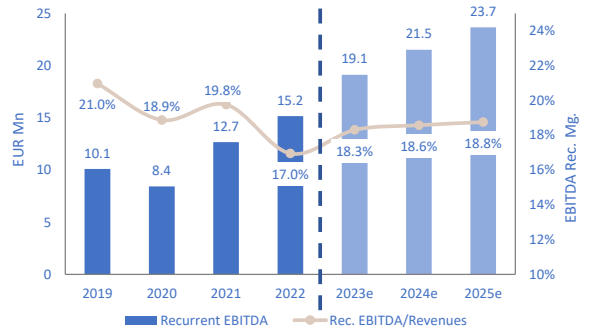
... and a global footprint (with significant exposure to emerging markets)



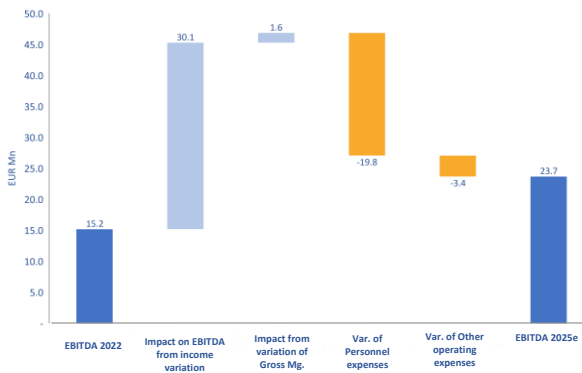
A diversified and recurring service offering that leaves scope for continued growth (revenue: +12.1% CAGR 2022-2025e)



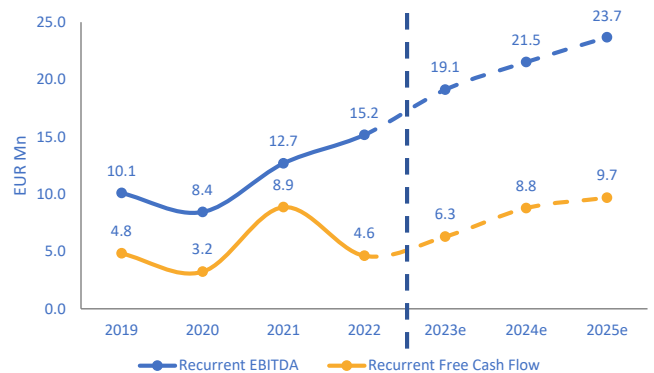
Without losing sight of the "focus" on profitability (EBITDA margin of 18%)



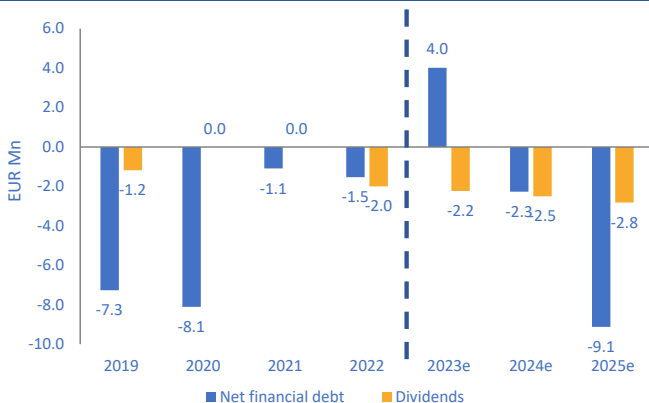
... And allowing the revenue improvement to be passed on to EBITDA (CAGR 2022-2025e 18%)



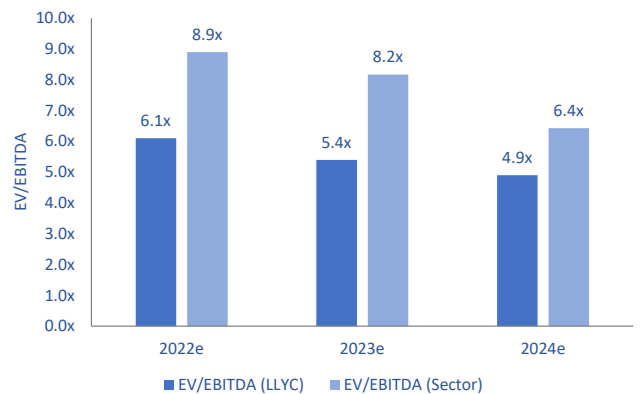
High cash generation capacity (FCF yield 2023e: c. 7%)



And a very robust balance sheet position net cash) could facilitate the search for inorganic growth



With low multiples within reach (EV/EBITDA 2023e 6.1x vs. 8.9x of its sector)



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(2.7)	9.5	10.4	141.0		
Market Cap	121.1	At the date of this report				
Net financial debt	-1.5	Debt net of Cash (12m 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)	3.5%	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	9.5%	Ke = Rf + (R * B)			8.4%	10.6%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	9.5%	WACC = Kd * D + Ke * E			8.4%	10.6%
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	10,532.7	8.3	8.0%	6.5	4.5%	1.2	3.3%	17.9%	9.8%	19.5%
Publicis	PUB-FR	18,346.1	10.7	4.0%	7.2	3.4%	1.6	3.3%	22.0%	9.4%	7.7%
Omnicom	OMC-US	14,805.3	11.3	6.8%	8.7	4.8%	1.4	3.5%	16.4%	10.4%	5.9%
Interpublic	IPG-US	11,447.7	11.3	5.7%	8.7	4.9%	1.6	5.7%	18.6%	9.3%	10.1%
Media			10.4	6.1%	7.7	4.4%	1.4	4.0%	18.7%	9.7%	10.8%
FTI Consulting	FCN-US	6,030.3	27.6	17.4%	17.7	n.a.	2.1	6.2%	11.9%	n.a.	n.a.
Next Fifteen	NFC-GB	754.6	7.5	8.2%	4.7	7.2%	1.1	6.2%	23.6%	13.8%	12.5%
Hopscoth Group	ALHOP-FR	48.3	8.6	9.8%	3.2	6.5%	0.2	3.0%	5.7%	24.0%	3.0%
Communication Agencies			12.8	10.9%	7.5	7.0%	1.1	5.4%	16.2%	17.2%	9.3%
LLYC	LLYC-ES	121.1	12.5	12.4%	6.1	11.3%	1.1	9.9%	18.3%	5.2%	n.a.

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	19.5%	22.6	5.2x
Central	18.6%	21.5	5.4x
Min	17.7%	20.5	5.7x

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

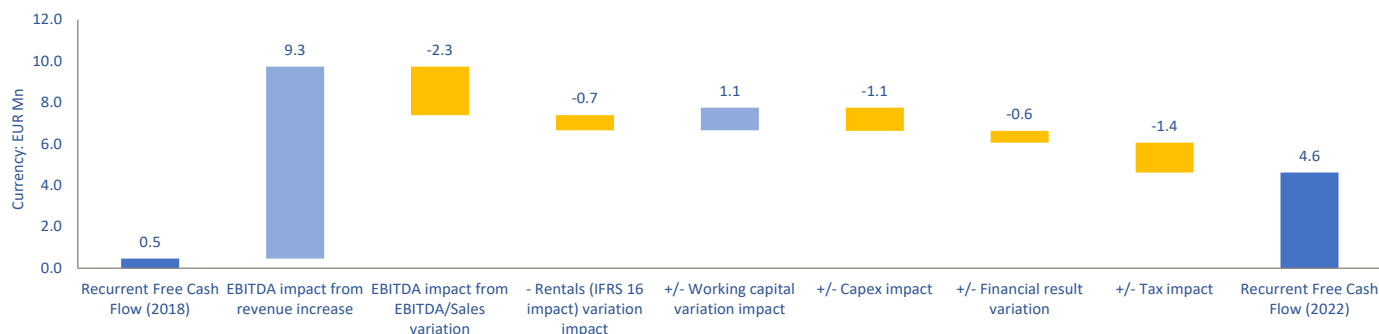
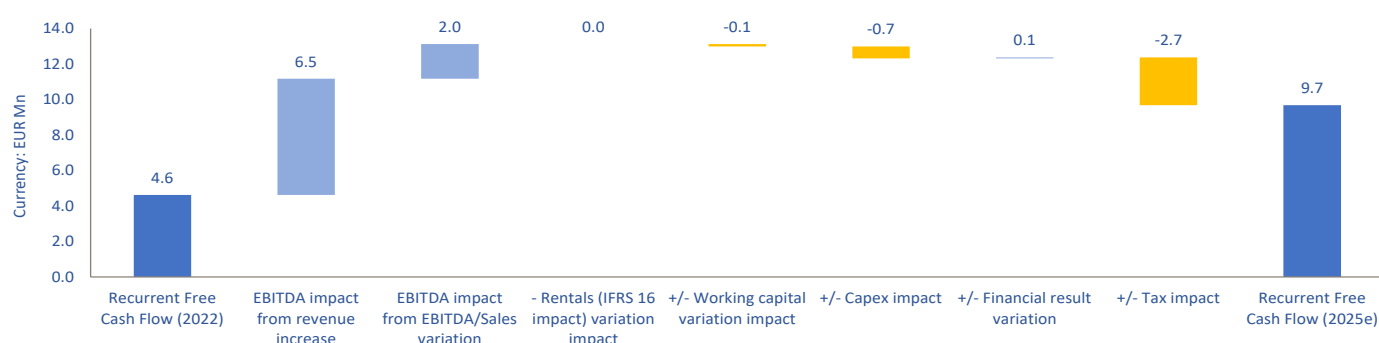
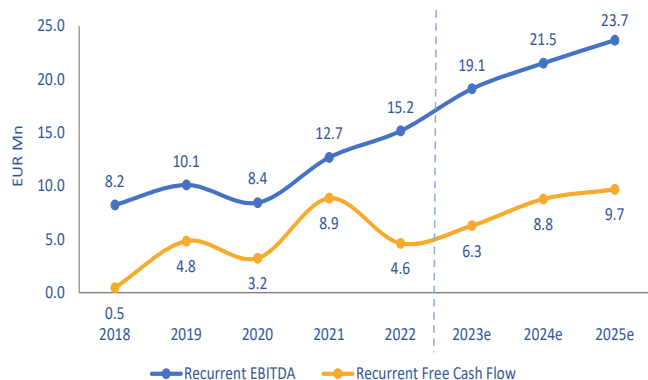
Rec. FCF EUR Mn	CAPEX/Sales 24e				Rec. FCF/Yield 24e		
EBITDA 24e	2.5%	2.8%	3.1%	Scenario			
22.6	10.2	9.8	9.5	Max	8.4%	8.1%	7.8%
21.5	9.1	8.8	8.4	Central	7.5%	7.3%	7.0%
20.5	8.1	7.7	7.4	Min	6.7%	6.4%	6.1%

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	12.8	13.6	14.2		
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	25.9	28.3	29.1		
Total assets	24.6	33.2	31.2	55.1	58.9	73.4	77.5	80.0		
Equity	16.8	22.0	20.9	28.2	34.2	41.7	50.0	59.5		
Minority Interests	3.7	3.5	3.4	1.2	1.1	2.0	2.9	3.9		
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)	4.0	(2.3)	(9.1)		
Current Liabilities	8.1	9.6	8.7	18.8	17.7	18.4	19.4	18.3		
Equity & Total Liabilities	24.6	33.2	31.2	55.1	58.9	73.4	77.5	80.0		
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	104.4	115.9	126.2	21.2%	12.1%
Total Revenues growth	7.2%	16.0%	-7.2%	43.5%	39.5%	16.7%	11.0%	8.9%		
COGS	(5.1)	(7.2)	(6.6)	(10.9)	(16.8)	(18.5)	(20.0)	(21.8)		
Gross Margin	36.5	40.9	38.1	53.3	72.7	85.9	95.8	104.4	18.8%	12.8%
Gross Margin/Revenues	87.8%	85.0%	85.3%	83.1%	81.3%	82.3%	82.7%	82.7%		
Personnel Expenses	(22.2)	(24.6)	(24.3)	(31.6)	(45.9)	(53.7)	(60.2)	(65.7)		
Other Operating Expenses	(6.0)	(6.2)	(5.4)	(9.0)	(11.7)	(13.0)	(14.1)	(15.0)		
Recurrent EBITDA	8.2	10.1	8.4	12.7	15.2	19.1	21.5	23.7	16.5%	16.0%
Recurrent EBITDA growth	0.9%	22.6%	-16.4%	50.2%	19.6%	26.0%	12.6%	10.0%		
Rec. EBITDA/Revenues	19.9%	21.0%	18.9%	19.8%	17.0%	18.3%	18.6%	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	19.1	21.5	23.7	16.7%	18.0%
Depreciation & Provisions	(1.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.9)	(2.5)	(2.6)		
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	16.0	17.9	20.0	25.7%	19.6%
EBIT growth	-9.2%	66.5%	-25.3%	45.9%	37.6%	36.7%	12.1%	11.7%		
EBIT/Revenues	11.3%	16.2%	13.0%	13.2%	13.0%	15.3%	15.4%	15.8%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.5)	(0.7)	(0.6)	(1.4)	(0.9)	(1.0)	(1.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	4.2	7.3	5.1	7.9	10.3	15.1	16.9	19.0	25.0%	22.7%
Ordinary Profit Growth	-3.7%	73.1%	-29.6%	54.4%	29.9%	46.1%	12.0%	12.8%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	4.2	7.3	5.1	7.9	10.3	15.1	16.9	19.0	25.0%	22.7%
Tax Expense	(1.6)	(2.2)	(2.2)	(2.4)	(2.9)	(4.5)	(5.1)	(5.7)		
Effective Tax Rate	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)	(0.8)	(0.9)	(1.1)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	1.8	4.3	2.3	5.3	7.0	9.7	10.9	12.3	40.6%	20.8%
Net Profit growth	20.0%	138.7%	-46.6%	134.6%	30.6%	39.5%	12.0%	12.8%		
Ordinary Net Profit	2.4	4.3	3.1	6.4	7.5	9.7	10.9	12.3	32.7%	17.7%
Ordinary Net Profit growth	-9.1%	76.8%	-26.9%	105.1%	17.1%	29.2%	12.0%	12.8%		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						19.1	21.5	23.7	16.5%	16.0%
Rentals (IFRS 16 impact)						(2.1)	(2.1)	(2.1)		
Working Capital Increase						(2.4)	(1.3)	(2.0)		
Recurrent Operating Cash Flow						14.6	18.1	19.5	30.2%	20.5%
CAPEX						(2.9)	(3.2)	(3.2)		
Net Financial Result affecting the Cash Flow						(0.9)	(1.0)	(1.0)		
Tax Expense						(4.5)	(5.1)	(5.7)		
Recurrent Free Cash Flow						6.3	8.8	9.7	77.6%	28.0%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(9.6)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(3.3)	8.8	9.7	75.4%	36.0%
Capital Increase						-	-	-		
Dividends						(2.2)	(2.5)	(2.8)		
Net Debt Variation						5.6	(6.3)	(6.9)		

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	19.1	21.5	23.7	14.5%	16.0%
<i>Recurrent EBITDA growth</i>	22.6%	-16.4%	50.2%	19.6%	26.0%	12.6%	10.0%		
<i>Rec. EBITDA/Revenues</i>	21.0%	18.9%	19.8%	17.0%	18.3%	18.6%	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)	(2.4)	(1.3)	(2.0)		
= Recurrent Operating Cash Flow	8.0	9.3	12.4	11.2	14.6	18.1	19.5	11.7%	20.5%
<i>Rec. Operating Cash Flow growth</i>	106.6%	15.7%	34.1%	-10.2%	30.9%	23.9%	7.9%		
<i>Rec. Operating Cash Flow / Sales</i>	16.6%	20.8%	19.4%	12.5%	14.0%	15.6%	15.5%		
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.7)	(0.6)	(1.0)	(0.9)	(1.0)	(1.0)		
- Taxes	(2.2)	(2.2)	(1.6)	(3.0)	(4.5)	(5.1)	(5.7)		
= Recurrent Free Cash Flow	4.8	3.2	8.9	4.6	6.3	8.8	9.7	-1.5%	28.0%
<i>Rec. Free Cash Flow growth</i>	938.8%	-33.2%	174.4%	-47.8%	35.9%	39.9%	10.2%		
<i>Rec. Free Cash Flow / Revenues</i>	10.0%	7.2%	13.8%	5.2%	6.0%	7.6%	7.7%		
- Restructuring expenses & others	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(9.6)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	4.8	0.7	(9.0)	3.9	(3.3)	8.8	9.7	-7.0%	36.0%
<i>Free Cash Flow growth</i>	n.a.	-84.5%	n.a.	142.7%	-186.2%	364.6%	10.2%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	4.0%	2.7%	7.3%	3.8%	5.2%	7.3%	8.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	4.0%	0.6%	n.a.	3.2%	n.a.	7.3%	8.0%		
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	6.3	8.8		
EBITDA impact from revenue increase	1.3	(0.7)	3.7	5.0	2.5	2.1	1.9		
EBITDA impact from EBITDA/Sales variation	0.5	(0.9)	0.6	(2.5)	1.4	0.3	0.2		
= Recurrent EBITDA variation	1.9	(1.7)	4.2	2.5	3.9	2.4	2.2		
- 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)	(0.5)	1.1	(0.7)		
= Recurrent Operating Cash Flow variation	4.1	1.3	3.2	(1.3)	3.5	3.5	1.4		
+/- CAPEX impact	0.9	(2.7)	1.7	(1.0)	(0.4)	(0.3)	0.1		
+/- Financial result variation	(0.0)	(0.2)	0.1	(0.5)	0.1	(0.1)	0.1		
+/- Tax impact	(0.6)	(0.0)	0.6	(1.5)	(1.5)	(0.5)	(0.6)		
= Recurrent Free Cash Flow variation	4.4	(1.6)	5.6	(4.2)	1.7	2.5	0.9		
Recurrent Free Cash Flow	4.8	3.2	8.9	4.6	6.3	8.8	9.7		
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	16.0	17.9	20.0	14.5%	19.6%
* 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)	(4.8)	(5.4)	(6.0)		
Recurrent EBITDA	10.1	8.4	12.7	15.2	19.1	21.5	23.7	14.5%	16.0%
- 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)	(2.4)	(1.3)	(2.0)		
= Recurrent Operating Cash Flow	8.0	9.3	12.4	11.2	14.6	18.1	19.5	11.7%	20.5%
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
- Taxes (pre- Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.8)	(5.4)	(6.0)		
= Recurrent Free Cash Flow (To the Firm)	5.2	4.3	8.4	5.4	6.9	9.5	10.4	1.2%	24.6%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	372.3%	-15.9%	93.7%	-36.4%	29.1%	37.5%	9.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	10.7%	9.7%	13.1%	6.0%	6.6%	8.2%	8.2%		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(9.6)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	5.2	2.2	(8.0)	5.4	(2.7)	9.5	10.4	1.2%	24.6%
<i>Free Cash Flow (To the Firm) growth</i>	243.2%	-58.1%	-467.7%	167.3%	-150.2%	453.4%	9.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	4.4%	3.7%	7.2%	4.6%	5.9%	8.1%	8.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.4%	1.8%	n.a.	4.6%	n.a.	8.1%	8.8%		

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	121.1	
+ Minority Interests	1.1	12m Results 2022
+ Provisions & Other L/T Liabilities	0.0	12m Results 2022
+ Net financial debt	(1.5)	12m Results 2022
- Financial Investments	-	12m Results 2022
+/- Others ⁽¹⁾	(3.5)	12m Results 2022
Enterprise Value (EV)	117.1	

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

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	-	-	-	-	34.4	38.7	41.5	48.2	44.7	64.1	89.5	104.4	115.9	126.2	n.a.	12.1%
Total Revenues growth	n.a.	n.a.	n.a.	n.a.	n.a.	12.5%	7.2%	16.0%	-7.2%	43.5%	39.5%	16.7%	11.0%	8.9%		
EBITDA	-	-	-	-	5.2	8.0	7.8	10.1	8.1	11.2	14.4	19.1	21.5	23.7	n.a.	18.0%
EBITDA growth	n.a.	n.a.	n.a.	n.a.	n.a.	51.8%	-2.3%	29.5%	-19.1%	37.3%	28.9%	32.8%	12.6%	10.0%		
EBITDA/Sales	n.a.	n.a.	n.a.	n.a.	15.2%	20.5%	18.7%	20.9%	18.2%	17.4%	16.1%	18.3%	18.6%	18.8%		
Net Profit	-	-	-	-	1.8	1.5	1.8	4.3	2.3	5.3	7.0	9.7	10.9	12.3	n.a.	20.8%
Net Profit growth	n.a.	n.a.	n.a.	n.a.	n.a.	-19.5%	20.0%	138.7%	-46.6%	134.6%	30.6%	39.5%	12.0%	12.8%		
Adjusted number shares (Mn)	-	-	-	-	10.6	10.6	10.6	10.6	10.6	10.6	11.6	11.6	11.6	11.6		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	0.17	0.14	0.17	0.40	0.21	0.50	0.60	0.83	0.93	1.05	n.a.	20.8%
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	-19.5%	20.0%	n.a.	-46.6%	n.a.	18.6%	39.5%	12.0%	12.8%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	0.19	0.15	0.23	0.40	0.30	0.61	0.65	0.83	0.93	1.05	n.a.	17.7%
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	-22.1%	52.5%	76.8%	-26.9%	n.a.	6.4%	29.2%	12.0%	12.8%		
CAPEX	-	-	-	-	-	(1.8)	(1.4)	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
CAPEX/Sales %	n.a.	n.a.	n.a.	n.a.	0.0%	4.7%	3.3%	1.1%	7.1%	2.3%	2.8%	2.8%	2.8%	2.5%		
Free Cash Flow	-	-	-	-	-	2.6	0.4	4.8	0.7	(9.0)	3.9	(3.3)	8.8	9.7	n.a.	36.0%
ND/EBITDA (x) ⁽²⁾	n.a.	n.a.	n.a.	n.a.	-0.9x	-0.7x	-0.6x	-0.7x	-1.0x	-0.1x	-0.1x	0.2x	-0.1x	-0.4x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.5x	11.1x	9.9x		
EV/Sales (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.12x	1.01x	0.93x		
EV/EBITDA (x) ⁽²⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.1x	5.4x	4.9x		
Absolute performance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-11.9%	5.4%			
Relative performance vs Ibx 35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.8%	-9.7%			

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factsset.

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

Appendix 5. Main peers 2023e

		Media					Communication Agencies				
EUR Mn		WPP-GB	Publicis	Omnicom	Interpublic	Average	FTI Consulting	Next Fifteen	Hopscotch Group	Average	LLYC
Market data	Ticker (Factset)	WPP-GB	PUB-FR	OMC-US	IPG-US		FCN-US	NFC-GB	ALHOP-FR		LLYC-ES
	Country	UK	France	USA	USA		USA	UK	France		Spain
	Market cap	10,532.7	18,346.1	14,805.3	11,447.7		6,030.3	754.6	48.3		121.1
	Enterprise value (EV)	16,558.7	20,532.2	18,881.3	14,056.5		6,374.4	773.5	47.3		117.1
Basic financial information	Total Revenues	14,225.5	13,034.5	13,236.8	8,740.7		3,034.7	702.1	261.3		104.4
	Total Revenues growth	-15.6%	-8.2%	2.5%	-11.5%	-8.2%	10.9%	-16.6%	5.9%	0.1%	16.7%
	2y CAGR (2023e - 2025e)	3.3%	3.3%	3.5%	5.7%	4.0%	6.2%	6.2%	3.0%	5.1%	9.9%
	EBITDA	2,549.8	2,870.8	2,175.2	1,624.3		361.1	165.9	14.9		19.1
	EBITDA growth	0.4%	-0.4%	-0.4%	2.2%	0.4%	11.7%	5.7%	11.1%	9.5%	32.8%
	2y CAGR (2023e - 2025e)	4.5%	3.4%	4.8%	4.9%	4.4%	n.a.	7.2%	6.5%	6.8%	11.3%
	EBITDA/Revenues	17.9%	22.0%	16.4%	18.6%	18.7%	11.9%	23.6%	5.7%	13.7%	18.3%
	EBIT	2,142.8	2,289.0	1,992.9	1,382.4		311.3	149.7	9.9		16.0
	EBIT growth	8.8%	11.1%	0.4%	3.1%	5.8%	10.3%	31.9%	4.3%	15.5%	36.7%
	2y CAGR (2023e - 2025e)	5.5%	3.8%	4.9%	4.9%	4.8%	13.6%	7.5%	9.2%	10.1%	11.9%
	EBIT/Revenues	15.1%	17.6%	15.1%	15.8%	15.9%	10.3%	21.3%	3.8%	11.8%	15.3%
	Net Profit	1,287.5	1,511.6	1,327.8	996.4		225.8	55.9	5.5		9.7
	Net Profit growth	61.5%	23.7%	11.6%	17.5%	28.6%	6.1%	n.a.	0.2%	3.2%	39.5%
2y CAGR (2023e - 2025e)	6.8%	5.4%	5.0%	4.4%	5.4%	14.0%	17.4%	10.4%	13.9%	12.4%	
CAPEX/Sales %	2.5%	2.1%	0.7%	2.0%	1.8%	n.a.	1.1%	0.3%	0.7%	2.8%	
Free Cash Flow	1,027.2	1,723.4	1,536.8	1,064.4		n.a.	104.0	11.6		(3.3)	
Net financial debt	3,918.3	(208.4)	663.7	149.2		n.a.	(10.0)	(18.5)		4.0	
ND/EBITDA (x)	1.5	n.a.	0.3	0.1	0.6	n.a.	n.a.	n.a.	n.a.	0.2	
Pay-out	40.5%	52.0%	41.1%	44.1%	44.4%	n.a.	34.0%	23.9%	28.9%	23.0%	
Multiples and Ratios	P/E (x)	8.3	10.7	11.3	11.3	10.4	27.6	7.5	8.6	14.6	12.5
	P/BV (x)	2.1	1.8	4.5	3.2	2.9	n.a.	n.a.	2.0	2.0	2.9
	EV/Revenues (x)	1.2	1.6	1.4	1.6	1.4	2.1	1.1	0.2	1.1	1.1
	EV/EBITDA (x)	6.5	7.2	8.7	8.7	7.7	17.7	4.7	3.2	8.5	6.1
	EV/EBIT (x)	7.7	9.0	9.5	10.2	9.1	20.5	5.2	4.8	10.1	7.3
	ROE	25.2	16.5	39.8	28.5	27.5	n.a.	n.a.	23.2	23.2	25.6
	FCF Yield (%)	9.8	9.4	10.4	9.3	9.7	n.a.	13.8	24.0	18.9	5.2
	DPS	0.47	3.13	2.65	1.12	1.85	n.a.	0.19	0.50	0.35	0.19
	Dvd Yield	4.8%	4.3%	3.5%	3.8%	4.1%	n.a.	2.6%	2.9%	2.7%	1.8%

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).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
27-Jul-2023	n.a.	10.40	n.a.	n.a.	6m 2023 Preliminary results	Luis Esteban Arribas
12-Jun-2023	n.a.	10.27	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
31-Mar-2023	n.a.	10.17	n.a.	n.a.	Important news - Estimates upgrade	Luis Esteban Arribas
09-Mar-2023	n.a.	11.35	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
25-Jan-2023	n.a.	9.50	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas
21-Sep-2022	n.a.	10.17	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
22-Jul-2022	n.a.	10.32	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.67	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.58	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.21	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

