

LLYC

Solid H2 results and FY24 targets

- Solid H2 results, in line.** LLYC has published its preliminary results for FY23 up until recurrent EBITDA. Net revenues grew by 16% YoY (+8% organically) to €43m, a touch below our estimate, with Deep Digital (+25% YoY) and Europe (+4%) beating our estimates and Americas (+22%) falling short. EBITDA jumped by 21% YoY (+10% organically, vs. +2% in H1) to €9.6m, in line. This implied a margin expansion of >100bps YoY to 22.2%, which is remarkable (1H23 margin fell by 70bp and raised concerns re wage inflation & profitability). The drivers came from a mix of a better sales mix (BAM), operating leverage and cost-cutting. As a result, FY23 EBITDA reached €18.4m (+15% YoY, and c.30% L3Y CAGR).
- Net debt falling** from €4.3m in 1H23 to nearly breakeven at YE (in line), mostly driven by the WC release & EBITDA generation. As a reminder, reported net debt does not include lease liabilities and earnouts related to the M&A activity. Incorporating both, we estimate an adjusted net debt of c.€16m at YE, which implies a healthy ND/EBITDA well below 1X, thus leaving room for further M&A.
- FY24 budget in line.** LLYC has also released its FY24 targets, which stand at €90m net sales (+8%) and €20m recurrent EBITDA (+8%), representing a stable c.22% margin. This sits fully in line with our estimates. On another note, LLYC has made small reporting changes, and will now divide the businesses into 1) Marketing (45% & 35% of 2023 revenues & EBITDA, respectively), which integrates deep digital, China (creativity) & consumer engagement; and 2) Corporate affairs (55% & 65%), which includes traditional communication. LLYC's aim is for Marketing & Corporate Affairs to account for 39% and 61% of EBITDA in FY24, respectively, which implies the former growing by >20% and the latter by low-single digit (more limited growth given the mature profile of this business).
- Our view.** 2023 was a difficult year for the sector (demand slowdown, wage inflation), but unlike peers LLYC managed to post good results (+15% EBITDA, +6% organic, stable margins), validating its attractive business model, which combines a stable, profitable & cash cow corporate affairs business with a fast-growing & complementary marketing business. 2024 is also looking good, and we would not rule out new M&A opportunities to expand the addressable market and team capabilities. The shares, however, have had a terrible performance in the L12M (-16% vs. Ibex +11%), currently trading at depressed multiples (<5X24 EV/EBITDA, single digit P/E, discount to peers despite enjoying faster growth & higher profitability), which we believe represents an attractive LT opportunity.

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	9.1	10.7	11.7
EPS (€)	-	0.45	0.60	0.78	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	12.8	8.9	8.2
P/E Adj. (x)	n.a.	21.5	17.0	12.4	8.7	7.9
EV/EBITDA (x)	-	11.8	8.6	7.0	5.1	4.5
Debt/EBITDA (x)	(1.3)	0.3	(0.0)	0.6	0.1	(0.3)
P/BV (x)	n.a.	4.8	3.8	2.7	1.9	1.6
ROE (%)	10.7	18.4	20.5	21.8	21.3	19.7
DPS (€)	-	0.13	0.13	0.20	0.23	0.25
Dividend yield (%)	-	1.1	1.2	2.0	2.8	3.1

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

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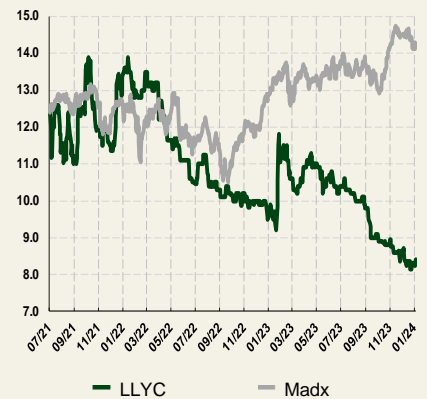
Share Price (*) € 8.25

*Share price at the close of 25 January 2024

LLYC.MC / LLYC SM

Market Cap	€ 96 m
Enterprise Value	€ 105 m
Free Float	€ 12 m
Nº Shares	12 m
Average Daily Volume	€ 13 k

Performance	1m	3m	12m
Absolute %	-2.9	-5.6	-13.2
Relative %	-1.5	-16.4	-28.1



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LLYC: QUARTERLY RESULTS

(€ m)	2H22	1H23	2H23	% YoY	2H23E	diff
Gross revenues	45.9	48.7	52.7	15%	54.5	(3%)
Net revenues	37.1	39.9	43.2	16.3%	43.9	(2%)
o/w Deep Digital	11.9	13.6	14.9	25.4%	13.3	12%
o/w Américas	11.5	12.8	14.0	21.8%	17.0	(18%)
o/w Europa	13.7	13.6	14.3	3.9%	13.6	5%
Opex	(29.2)	(31.1)	(33.6)	15%	(34.3)	(2%)
Adj. EBITDA	7.9	8.8	9.6	21%	9.6	(0%)
<i>Adj. EBITDA Mg</i>	21.3%	22.1%	22.2%		21.9%	
Net debt (ex-IFRS16)	(3.3)	4.3	0.2		(0.1)	

Source: Alantra Equities

KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	44.7	64.1	89.5	103.2	119.7	134.9	Net profit	2.2	5.2	7.0	9.1	10.7	11.7
COGS	(6.6)	(10.8)	(16.8)	(19.4)	(26.7)	(34.7)	Depreciation	2.3	2.7	3.5	3.7	3.9	4.0
Gross Profit	38.1	53.3	72.7	83.8	93.0	100.2	Minorities	0.7	0.2	0.4	0.5	0.6	0.6
Personnel Expenses	(24.3)	(31.6)	(45.9)	(55.2)	(61.3)	(66.4)	Non-cash adjustments	(1.9)	(2.7)	(2.0)	(2.1)	(2.2)	(2.3)
Other Opex	(5.4)	(9.1)	(10.8)	(10.2)	(11.7)	(12.4)	Total cash-flow (CF)	3.3	5.4	8.9	11.1	13.0	14.1
Adj. EBITDA	8.4	12.6	16.0	18.4	20.1	21.3	Capex	(2.0)	(1.9)	(2.4)	(2.7)	(3.0)	(3.2)
Non-recurring items	(0.3)	(1.5)	(0.8)	0.0	0.0	0.0	Working capital	2.1	(1.2)	(1.7)	(3.9)	(1.5)	(1.2)
EBITDA	8.1	11.1	15.2	18.4	20.1	21.3	Financial investments	(0.1)	0.8	(0.3)	-	-	-
D&A	(2.3)	(2.7)	(3.5)	(3.7)	(3.9)	(4.0)	Operating FCF	3.4	3.2	4.6	4.5	8.5	9.6
EBIT	5.8	8.4	11.7	14.7	16.2	17.3	Rights issues	-	9.9	-	-	-	-
Net financials	(0.7)	(0.6)	(1.4)	(1.7)	(1.0)	(0.8)	Disposals/(acquisitions)	(2.2)	(24.3)	-	(11.1)	-	-
Profit-Before-Tax	5.1	7.8	10.3	13.1	15.2	16.5	Dividend to minorities	-	-	-	-	-	-
Tax	(2.2)	(2.4)	(2.9)	(3.5)	(3.8)	(4.1)	FCF before dividends	1.2	(11.3)	4.6	(6.5)	8.5	9.6
Minorities	(0.7)	(0.2)	(0.4)	(0.5)	(0.6)	(0.6)	Dividends	-	-	(1.5)	(1.5)	(2.2)	(2.6)
Reported Net profit	2.2	5.2	7.0	9.1	10.7	11.7	Free-cash-flow (FCF)	1.2	(11.3)	3.1	(8.0)	6.3	7.0
Adjustments	0.2	1.1	0.6	0.0	0.0	0.0	Buy-backs	-	-	-	-	-	-
Adj. Net profit	2.5	6.3	7.6	9.1	10.7	11.7	FCF after buy backs	1.2	(11.3)	3.1	(8.0)	6.3	7.0
Nº of shares (m)	0.4	11.6	11.6	11.6	11.6	11.6							
Nº of shares adjusted (m)	0.0	11.3	11.3	11.3	11.3	11.3							
Treasury stock (m)	0.0	0.3	0.3	0.3	0.3	0.3							
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E	Balance sheet (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	(7%)	43%	40%	15%	16%	13%	Equity	20.9	28.2	34.2	41.8	50.3	59.5
Gross Profit	(7%)	40%	36%	15%	11%	8%	Minority interests	3.4	1.2	1.1	1.6	2.2	2.9
Adj. EBITDA	(17%)	49%	27%	15%	9%	6%	Provisions & others	0.2	0.2	0.1	0.1	0.1	0.1
EBITDA	(19%)	37%	37%	21%	9%	6%	Net debt [cash]	(1.9)	11.2	7.4	15.4	9.1	2.1
EBIT	(25%)	45%	39%	26%	10%	6%	Net debt [cash] pre IFRS16	(8.2)	3.1	(0.0)	8.7	2.3	(4.7)
Net profit	(55%)	132%	35%	30%	18%	9%	Capital invested	22.6	40.7	42.8	58.9	61.7	64.5
EPS	n.a.	n.a.	35%	30%	18%	9%	Goodwill	3.4	18.7	18.1	18.1	18.1	18.1
							Intangible assets	3.6	4.0	5.2	6.2	7.2	8.2
							Tangible assets	9.0	11.0	10.1	21.5	22.0	22.6
							Financial assets	(5.2)	(15.1)	(8.5)	(13.4)	(11.3)	(8.9)
							Working capital	4.8	5.0	7.2	11.1	12.6	13.8
							Capital employed	15.5	23.6	32.2	43.5	48.6	53.8
							Working capital/sales	10.7%	7.8%	8.0%	10.8%	10.5%	10.3%
Revenue by segment	FY20	FY21	FY22	FY23E	FY24E	FY25E							
Deep Digital	14%	22%	32%	32%	33%	35%	Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Américas	-	36%	32%	36%	35%	35%	Net debt/EBITDA	(0.2X)	1.0X	0.5X	0.8X	0.5X	0.1X
Europa	-	42%	36%	32%	32%	31%	Net debt/EBITDA adjusted	(1.3X)	0.3X	(0.0X)	0.6X	0.1X	(0.3X)
							Gearing	-7.9%	38.0%	20.9%	35.4%	17.3%	3.3%
							Interest cover	8.6X	14.0X	8.4X	8.9X	15.5X	21.5X
Adj. EBITDA by segment	FY20	FY21	FY22	FY23E	FY24E	FY25E							
Deep Digital	-	18%	27%	27%	28%	30%	Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Américas	-	30%	30%	30%	30%	29%	EBITDA margin	18.2%	17.3%	17.0%	17.8%	16.8%	15.8%
Europa	-	53%	43%	43%	42%	41%	EBIT margin	13.0%	13.1%	13.1%	14.3%	13.5%	12.8%
							Effective tax rate	42.6%	30.8%	28.2%	26.5%	25.3%	24.9%
							Pay-out	n.a.	28.7%	21.3%	24.3%	24.3%	24.3%
							ROCE (EBIT/CE)	37.4%	35.6%	36.4%	33.9%	33.4%	32.1%
							ROE	10.7%	18.4%	20.5%	21.8%	21.3%	19.7%
Per share data	FY20	FY21	FY22	FY23E	FY24E	FY25E							
EPS	n.a.	0.46	0.62	0.81	0.95	1.04							
EPS adjusted	n.a.	0.56	0.67	0.81	0.95	1.04							
CFPS	n.a.	0.48	0.79	0.99	1.15	1.24							
FCFPS	n.a.	(1.00)	0.28	(0.71)	0.56	0.62							
BVPS	n.a.	2.49	3.03	3.70	4.45	5.26							
DPS	0.00	0.13	0.13	0.20	0.23	0.25							

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