LLYC

FISCAL YEAR 2023 FINANCIAL RESULTS AND BUSINESS FORECAST COMPLIANCE ANALYSIS

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1. LLYC IN 2023

In 2023, LLYC's financial performance demonstrated significant organic growth across the entire company. Despite the prevailing global uncertainties, including conflicts in Ukraine and the Middle East, as well as escalating inflation in various markets worldwide, LLYC achieved a total revenue of 101.4 million euros, marking a 13.3% increase compared to the previous year. Total revenues reached 83.1 million euros, reflecting a growth of 14.3% over 2022. Recurring EBITDA also saw a positive performance, reaching 18.5 million euros, a 15.6% increase over the prior year.

These favorable results were attributable to robust commercial efforts across all teams, the strength of the client portfolio, and the company's dedication to innovation and technology in its service offerings. These outcomes align with the budgetary objectives and underscore LLYC's commitment to the market and its shareholders.

The company's emphasis on creativity, content, and technology has been pivotal in expanding the range of solutions provided to clients. The Deep Digital business unit, comprising Digital Influence, Deep Learning, and Digital Marketing teams, has played a crucial role. Designed to assist companies in their digital transformation journey, Deep Digital leverages exponential technologies to deliver innovative solutions and engagement in more lucrative projects.

In 2023, the Deep Digital unit contributed 34% of the company's revenues, up from 32% the previous year, reflecting its growing significance in the income statement. LLYC believes that the convergence of technology and creativity is integral to the future of communication, positioning this segment as a key driver of its ambitious growth plan.

LLYC's investment in Research, Development, and Innovation (RDI) projects amounted to approximately 1.3 million euros in 2023, a 62% increase from 2022. These investments primarily supported initiatives in the Deep Learning area and the launch of Algent, a generative AI solution specialized in domain-specific conversations. Additionally, the firm developed its own AI model for reputation measurement, surpassing market benchmarks by 20 accuracy points, as audited by the Complutense University of Madrid. The collective efforts of all business areas contributed to significant growth compared to the previous year.

LLYC owes its success to its dedicated workforce, which comprised 1,181 professionals (by the end of 2024), 64% of whom are women. The company's remarkable achievements are a testament to its teams' exceptional professionalism and human qualities.

2. LLYC IN BME GROWTH

Llorente & Cuenca, S.A. (LLYC) was listed on BME Growth on July 22, 2021. Renta 4 serves as its registered advisor and liquidity provider. LLLYC debuted on the market through open trading, utilizing the ticker "LLYC." The company's primary objectives for entering the market include accessing financing for organic and inorganic growth, enhancing transparency for stakeholders, and broadening the ownership base for greater participation in endeavors.

The company's incorporation into BME Growth followed a successful capital increase structured through two subscription offers: one targeting qualified investors and the other open to all investor types. This capital increase amounted to 10 million euros, oversubscribed by 5.1 times the offered amount. The IPO set the share price at €9.39, valuing the company at €109 million. LLYC's market debut witnessed a remarkable 49% increase in its first trading session, with an initial price of €14.05 per share.

In 2023, the share price fell 16%. The highest trading price was €11.95, while the lowest was €8.4. At the end of the year, the value of the shares reached €8.35.

Regarding liquidity, 260 thousand shares were traded throughout 2023, amounting to a total volume of €2,622 thousand.

3. ECONOMIC-FINANCIAL ANALYSIS

Below is a comparison of the group's income statement for the year ended December 31, 2023, and the same period in 2022.

(in millions of euros)	FY22	FY23	Y/Y reported	YOY net revenue
Total Revenue (excluding RDI)	**89.5**	**101.4**	**13.3%**	**11.9**
Procurement	-16.8	-18.3		
Operating Income	**72.7**	**83.1**	**14.3%**	**10.4**
Staffing costs	-45.9	-53.8	17.2%	-7.9
% of total revenue	-51.3%	-53.0%		
Other Operating Expenses	-10.8	-10.8		
% of total revenue	-12.1%	-10.7%		
RECURRING EBITDA	**16.0**	**18.5**	**15.4%**	**2.5**
% of total revenue	17.9%	18.2%		
of operating income	22.0%	22.2%		
Other results	-0.7(*)	0.2		
ACCOUNTING EBITDA	**15.3**	**18.7**	**22.2%**	**3.4**
% of total revenue	17.1%	18.4%		
of operating income	21.0%	22.5%		
Depreciation and impairment costs	-3.6	-4.4		
EBIT	**11.7**	**14.3**	**22.2%**	**2.6**
% of total revenue	13.1%	14.1%		
of operating income	16.1%	17.2%		
Financial result	-1.4	-1.9	-35.7%	-0.5
INCOME BEFORE TAXES	**10.3**	**12.4**	**20.4%**	**2.1**
Taxes	-2.9	-3.2	-10.3%	-0.3
Tax rate	28.1%	26.1%		
NET INCOME	**7.4**	**9.2**	**24.3%**	**1.8**
Minority interest	0.4	0.9		
CONSOLIDATED NET INCOME	**7.0**	**8.3**	**17.1%**	**1.3**

(*)Non-recurring expenses incurred in 2022 were primarily attributed to costs related to potential M&A transactions and goodwill impairment. No M&A transactions took place in 2022.

We are pleased to report profitable growth in 2023, with a 15.6% improvement in Recurring EBITDA and a 24% increase in the company's Net Income at the consolidated level. We continue with a good trend of double-digit growth in operating income and results (+14.3% and +15.4%, respectively), with an outstanding second half of the year and a positive business trend confirming the results with which we closed the year's first half.

Concerning the main expenses, staffing costs have maintained a growth rate quite similar to that of revenues, evidencing the care in the efficiency of this important item and always with the idea of continuing to incorporate a senior team to ensure that we have the right talent to achieve our growth objectives. In this sense, the variation of these expenses vs. the previous year has been only three points above revenues, maintaining the ratio of Staffing Costs over Total Revenue within the industry standard range of 50-55% (53.0% in 2023 vs. 51.3% in 2022).

In 2023, the focus on efficiency in other operating expenses has been maintained based on the analysis of efficiency and control, maintaining growth levels well below the business's (flat expense growth vs. 14.3% operating income growth).

Finally, it is worth highlighting the profitable growth experienced in 2023, with improvements in Recurring EBITDA of 15.6% compared to 2022 and 24% in the company's net income at the consolidated level.

Balance Sheet (in millions of euros)	**Dec-2022**	**Dec-2023**	**Y/Y reported**
Non-current assets	36.0	49.8	38.3%
Trade receivables	18.3	22.9	25.1%
Other current assets	6.1	4.6	-24.6%
Cash and cash equivalents	12.2	10.7	-12.3%
TOTAL ASSETS	**72.6**	**88.0**	**21.2%**
Equity	35.3	40.2	13.9%
Non-current liabilities	13.3	23.2	74.4%
Current liabilities	24.1	24.6	2.1%
TOTAL LIABILITIES	**72.6**	**88.0**	**21.2%**

Regarding our financial position, we currently hold cash reserves of 10.7 million euros and gross financial debt of 11.5 million euros. This debt level is lower than the market average, and we have the necessary resources to continue executing our business plan. Our Net Financial Debt/EBITDA ratio is 0.04x as of the end of 2023, indicating a balanced mix of debt and equity.

Our balance sheet assets at year-end primarily consist of non-current assets, including tangible and intangible fixed assets such as industrial property, software, and development. We also hold goodwill from acquisitions, trade receivables, and cash and cash equivalents.

Our current liabilities consist of commercial debts with suppliers, provisions for expenses related to our ongoing operations, and the portion of debt that matures in 2023 with credit entities as a result of our acquisitions in 2021 and 2022. Our non-current liabilities primarily include debt from financial institutions for acquisitions and operating leases that mature in more than one year.

As in the previous year, 2023 was yet again dedicated to investing in talent. We incorporated new profiles that will enhance our technological and creative capabilities and completed the integration of professionals from the companies acquired in 2021 and 2022. By the end of the 2023 financial year, we had almost 1,200 professionals worldwide, representing a 6% increase from the previous year. In 2023, women comprised 63.8% (62.6% in 2022) of our team and 52.4% (45% in 2022) of LLYC's management layer.

Meanwhile, 36.2% of the total employees (37.3% in 2022) were men. The number of women in the company increased by 1.2% in 2023 compared to 2022 (an increase of 19.59% in 2022 vs. 2021), and the number of men decreased by 1.1% in 2023 compared to 2022 (a rise of 16.25% in 2022 vs. 2021).

To summarize, we have achieved excellent revenue figures, improved profitability, and a strong financial position. We have also successfully completed the integration of the companies we acquired in 2021 and 2022. Moving forward, our focus remains on creating value through technology, innovation, and creativity-based growth.

4. BUSINESS FORECAST COMPLIANCE ANALYSIS

(in millions of euros)	FY22	FY23	2023 Budget	% Compliance
Total Revenue	89.5	101.4	96.0	**106%**
% Growth	39.6%	13.3%		
Procurement	-16.8	-18.3		
Operating Income	72.7	83.1	80.0	**104%**
Staffing costs	-45.9	-53.8		
% of revenue	51.3%	53.0%		
% growth	45.2%	17.2%		
Other operating expenses	-10.8	-10.8		
% of revenue	12.1%	10.7%		
RECURRING EBITDA	**16.0**	**18.5**	**17.6**	**105%**
% of revenue	17.9%	18.2%	18.3%	
of operating income	22.0%	22.2%	22.0%	

Comparing the fiscal year 2023 results with the budget's key figures verified that the initial forecasts were met. We have achieved budget compliance across all three main lines.

In terms of total accounting revenues, we have achieved 106% of the budget, while the level of compliance for operating income has reached 104%. Regarding Recurring EBITDA, the company has achieved a global compliance rate of 105%.

LLORENTE Y CUENCA