LLYC

Well-positioned for a new growth stage

- **H2 recovery after H1 one-offs.** After a challenging H1 (4–5% and ~40% LFL fall in sales and EBITDA), LLYC rebounded in H2, driven by the kick-off of delayed key projects, cost control, absence of one-offs and a sector-wide recovery. As a result, LFL EBITDA decline improved to 10–15%, with margins expanding from 16% in H1 to ~21% in H2, reflecting growth investments (e.g., US marketing hires) and gradual recovery in LatAm. These H2 results provide a strong foundation for 2025.
- **BAM effectively sorted.** After a fraud lawsuit against its founder, LLYC sold its 80% stake in BAM (8% of 2023 EBITDA) back to the founder for $9m plus interests. This exceeds the equity investment ($6.4m) and legal costs (>$1m). LLYC has now turned the page, and has reinforced its B/S.
- **US is a new growth engine.** LLYC's acquisition of Lambert (~€38m EV, #40 US PR agency, ~25% of 2025E EBITDA) establishes its foothold in the US, the world's largest and fastest-growing PR market (+7-9% CAGR N4Y). The deal boosts LLYC's revenue streams and offers sound cross-selling opportunities, leveraging Lambert's PR clients for broader marketing services. We expect the US to drive nearly 2/3 of LLYC's organic growth and account for ~30% of EBITDA by 2027.
- **Rapid deleveraging after M&A spree.** LLYC's 2024 M&A activity (3 deals, ~€48m EV, ~€27m upfront cash) will result in ND (incl. leases) and adj. ND (incl. earnouts/put liab.) soaring >€30m YoY to ~€40m (>2X leverage) and €55m (>3X) respectively. However, this should quickly decline to ~€37m (1.6X) and ~€50m (~2X) in 2025, backed by stronger EBITDA/FCF, and full-year M&A contributions.
- **Estimates and TP.** We cut our FY24 adj. EBITDA estimate by 15% to the reported €17.3m. For 2025-26, we cut underlying adj. EBITDA/EPS by 10%, but 2024 M&A leads us to raise adj. EBITDA by 10-15% and keep adj. EPS estimates unchanged. We look for €23.7m EBITDA in 2025 (+37% YoY, vs €25m guided). We think that target is achievable, given the annualization of 2H24 EBITDA of €20.9m, the pending contribution from 2024 M&A (€1.7m), and +6-7% organic growth (€1.1m).
- **Our view.** Shares are down 25% since H1 results and currently overlook the sharp H2 operational recovery, strong growth foundations (especially in the US), and the positive BAM resolution. We expect LLYC to deliver in 2025, support new M&A, and sustain strong EBITDA growth (+11% CAGR 2019–24, +18% 2024–27E) with solid RoCE (17-18%). At 6X25 EV/EBITDA and 8X25 P/E (10-15% discount to slower growing and less profitable peers), we see an attractive risk/reward profile.

Financial Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA (€m)	12.7	16.0	16.9	17.3	23.7	26.2
Net profit (€m)	4.7	6.6	6.6	3.9	9.1	10.8
EPS (€)	0.45	0.60	0.74	0.44	0.78	0.93
Adj. EPS (€)	0.62	0.72	0.87	0.71	0.92	1.07
P/E (x)	26.5	19.2	13.5	16.5	9.2	7.8
P/E Adj. (x)	19.4	16.0	11.5	10.1	7.8	6.7
EV/EBITDA (x)	12.4	9.1	8.2	8.4	6.0	5.2
Debt/EBITDA (x)	0.9	0.5	1.1	3.2	2.1	1.3
P/BV (x)	4.8	3.8	2.9	2.0	1.7	1.4
ROE (%)	16.7	19.2	17.0	9.3	18.6	19.1
DPS (€)	0.13	0.13	0.17	0.17	0.20	0.23
Dividend yield (%)	1.1	1.2	1.7	2.4	2.7	3.2

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

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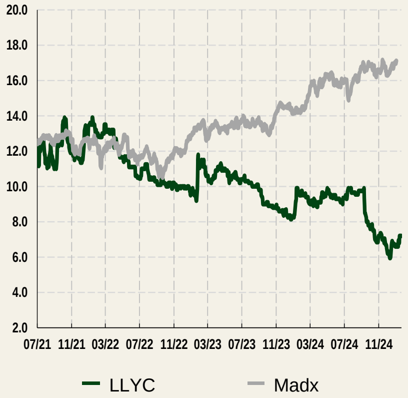
Share Price (*)	€ 7.20

*Share price at the close of 10 February 2025

LLYC.MC / LLYC SM	
Market Cap	€ 84 m
Enterprise Value	€ 146 m
Free Float	€ 10 m
Nº Shares	11.6 m
Average Daily Volume	€ 14 k

Performance	1m	3m	12m
Absolute %	6.7	2.9	-23.6
Relative %	-2.2	-8.0	-57.4



Shareholders

LLYC Partners 26.2% (*), Mrs Llorente (family founder) 21.4%, Mr Romero (Global CEO) 7.3%, Mrs Rodríguez 13.8% (family founder), Mrs García (CA CEO) 2.6%, Global Portfolio 9.5%, Asua 6.0%, Treasury 1.4%, Free float 11.8%

(*) Mr Romero and Mrs García have additional indirect stakes via LLYC partners

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Key Data

P&L account (€ m)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Gross Revenues	89.5	96.8	119.6	153.9	178.6	207.5
COGS	(16.8)	(18.3)	(26.5)	(40.7)	(57.4)	(78.8)
Net Revenues	**72.7**	**78.5**	**93.1**	**113.2**	**121.2**	**128.7**
Personnel Expenses	(45.9)	(56.9)	(65.2)	(71.1)	(74.6)	(78.2)
Other Opex	(10.8)	(4.6)	(10.5)	(18.4)	(20.4)	(22.4)
Recurrent EBITDA	**16.0**	**16.9**	**17.3**	**23.7**	**26.2**	**28.1**
Non-recurring items	(0.8)	(0.3)	(2.0)	0.0	0.0	0.0
EBITDA	**15.2**	**16.6**	**15.3**	**23.7**	**26.2**	**28.1**
D&A	(3.9)	(4.4)	(5.9)	(6.2)	(6.3)	(6.5)
EBIT	**11.3**	**12.2**	**9.4**	**17.5**	**19.9**	**21.6**
Net financials	(1.4)	(1.9)	(2.8)	(3.2)	(3.2)	(3.0)
Profit-Before-Tax	**9.9**	**10.3**	**6.6**	**14.3**	**16.7**	**18.7**
Tax	(2.9)	(3.2)	(2.0)	(4.1)	(4.8)	(5.3)
Minorities	(0.4)	(0.5)	(0.8)	(1.0)	(1.1)	(1.2)
Reported Net profit	**6.6**	**6.6**	**3.9**	**9.1**	**10.8**	**12.2**
Adjustments	1.1	1.2	3.1	1.5	1.5	1.5
Adj. Net profit	**7.7**	**7.8**	**6.9**	**10.6**	**12.2**	**13.6**
Nº of shares (m)	11.6	11.6	11.6	11.6	11.6	11.6
Nº of shares adjusted (m)	11.3	11.3	11.4	11.5	11.5	11.5
Treasury stock (m)	0.3	0.4	0.2	0.2	0.2	0.2

YoY Growth	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net revenues	36%	8%	19%	22%	7%	6%
Recurrent EBITDA	26%	6%	2%	37%	10%	7%
EBITDA	36%	9%	(8%)	55%	10%	7%
EBIT	43%	8%	(23%)	86%	14%	9%
Net profit	40%	0%	(41%)	135%	18%	13%

Revenue by segment	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Marketing	n.a.	48%	48%	52%	53%	55%
o/w US	n.a.	*2%*	*12%*	*15%*	*18%*	*20%*
o/w Europe	n.a.	*19%*	*15%*	*15%*	*15%*	*14%*
o/w LatAm	n.a.	*26%*	*21%*	*21%*	*21%*	*20%*
Corporate Affairs	n.a.	53%	52%	48%	47%	45%
o/w US	n.a.	*3%*	*9%*	*10%*	*10%*	*10%*
o/w Europe	n.a.	*27%*	*24%*	*20%*	*19%*	*19%*
o/w LatAm	n.a.	*23%*	*19%*	*18%*	*17%*	*16%*

Adj. EBITDA by segment	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Marketing	n.a.	35%	35%	47%	49%	52%
Corporate Affairs	n.a.	65%	65%	53%	51%	48%

Per share data	FY22	FY23	FY24E	FY25E	FY26E	FY27E
EPS	0.58	0.58	0.34	0.80	0.94	1.06
EPS adjusted	0.68	0.69	0.61	0.92	1.07	1.19
CFPS	0.81	1.08	0.82	1.22	1.37	1.51
FCFPS	0.33	(0.96)	(3.26)	0.48	0.65	0.77
BVPS	3.03	3.42	3.68	4.28	5.02	5.85
DPS	0.13	0.17	0.17	0.20	0.23	0.26

Cash flow (€ m)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net profit	6.6	6.6	3.9	9.1	10.8	12.2
Depreciation	3.9	4.4	5.9	6.2	6.3	6.5
Minorities	0.4	0.5	0.8	1.0	1.1	1.2
Non-cash adjustments	(1.8)	0.6	(1.1)	(2.4)	(2.4)	(2.5)
Total cash-flow (CF)	**9.2**	**12.1**	**9.4**	**14.0**	**15.7**	**17.4**
Capex	(2.4)	(2.9)	(3.4)	(3.5)	(3.6)	(3.7)
Working capital	(1.3)	(2.2)	(2.9)	(2.2)	(1.6)	(1.4)
Operating FCF	**5.5**	**7.0**	**3.2**	**8.3**	**10.5**	**12.2**
Rights issues	-	-	-	-	-	-
Disposals/(acquisitions)	-	(15.0)	(37.0)	-	-	-
Lease payments	0.6	0.4	(0.6)	-	-	-
Dividend to minorities	(0.5)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)
Others	(0.4)	(1.5)	-	-	-	-
FCF before dividends	**5.3**	**(9.3)**	**(35.2)**	**7.5**	**9.7**	**11.4**
Dividends	(1.5)	(1.5)	(1.9)	(2.0)	(2.2)	(2.7)
Free-cash-flow (FCF)	**3.8**	**(10.8)**	**(37.1)**	**5.5**	**7.4**	**8.8**
Buy-backs	-	-	-	-	-	-
FCF after buy backs	**3.8**	**(10.8)**	**(37.1)**	**5.5**	**7.4**	**8.8**

Balance sheet (€ m)	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Equity	34.2	38.7	41.9	49.0	57.5	67.0
Minority interests	1.1	1.8	1.8	2.0	2.3	2.7
Provisions & others	3.0	10.7	17.7	14.5	10.5	10.0
Net debt [cash]	4.2	7.7	39.7	37.4	34.0	25.6
Net debt [cash] adjusted (*)	*7.4*	*18.2*	*55.3*	*49.8*	*42.3*	*33.6*
Capital invested	**42.5**	**58.9**	**101.0**	**102.8**	**104.3**	**105.5**
Goodwill	18.1	28.2	46.6	46.6	46.6	46.6
Intangible assets	5.2	8.1	28.3	30.4	32.7	35.2
Tangible assets	10.1	9.7	9.8	7.2	4.6	1.7
Financial assets	2.1	3.5	3.8	3.9	4.1	4.3
Working capital	6.9	9.6	12.4	14.6	16.3	17.7
Capital employed	**42.5**	**58.9**	**101.0**	**102.8**	**104.3**	**105.5**
Working capital / sales	7.7%	9.9%	10.4%	9.5%	9.1%	8.5%
Capex / sales	2.6%	3.0%	2.8%	2.3%	2.0%	1.8%

(*) including contingent liabilities

Financial ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Net debt/EBITDA	0.3X	0.5X	2.6X	1.6X	1.3X	0.9X
Net debt/EBITDA adjusted (*)	0.5X	1.1X	3.2X	2.1X	1.6X	1.2X
Gearing	11.8%	19.1%	90.9%	73.3%	56.8%	36.7%
Interest cover	8.2X	6.4X	3.4X	5.5X	6.1X	7.3X

(*) including contingent liabilities

Margins & ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
EBITDA margin	20.9%	21.2%	16.4%	20.9%	21.6%	21.8%
EBIT margin	15.5%	15.6%	10.1%	15.4%	16.4%	16.8%
Effective tax rate	29.5%	30.9%	30.0%	29.0%	28.6%	28.2%
Pay-out	22.7%	28.7%	51.2%	24.6%	24.6%	24.6%
ROCE (EBIT/CE)	26.5%	20.7%	9.3%	17.0%	19.1%	20.5%
ROE	19.2%	17.0%	9.3%	18.6%	18.7%	18.2%

I. H2 recovery after H1 one-offs, BAM sorted out

H1 was difficult due to project delays and one-time costs…

LLYC's H1 results underperformed expectations, with organic sales declining and margins contracting over 5pp to 16%, leading to a LFL EBITDA decline of over 40% (vs. our estimate of +4%). The miss, however, stemmed from temporary one-off costs (e.g., project delays, one-off severance costs), growth investments (e.g., hiring a new US marketing team), and unusually high bad debts. Additionally, LLYC announced the discontinuation of BAM, a US subsidiary it had acquired in Feb-23, following a fraud lawsuit against its founder. BAM had contributed 8% of group EBITDA.

… but H2 has recovered on improving operations and cost normalization

Fast forward to H2, operational performance rebounded due to cost normalization, the kick-off of delayed projects tied to large clients (which had left the workforce underutilized in H1) and improving sector trends. While organic sales were flat YoY in H2, the organic EBITDA decline moderated to just ~10%. Nonetheless, the contributions of the aggressive M&A activity (Lambert, Dattis and Zeus) contributed significantly to full-year growth. As a result, LLYC achieved its revised October 2024 guidance of ~€93m in net sales (+19% YoY) and €17.3m in recurring EBITDA (+2% YoY, but +17% in H2). This underscores the company's ability to execute its recovery plan while integrating new acquisitions effectively.

LLYC: 1H24 & 2H24 RESULTS AND OUR NET PROFIT ESTIMATES

YoY (%)	1H23	% YoY	1H24	2H23	% YoY	2H24E	2023	% YoY	2024E
Net revenues	38.4	12%	43.2	40.1	24%	49.9	78.5	19%	93.1
o/w Marketing	18.1	(5%)	17.3	19.2	45%	27.8	37.3	21%	45.1
o/w Corporate Affairs	20.3	28%	25.9	20.9	6%	22.1	41.3	16%	48.1
Opex	(30.1)	21%	(36.3)	(31.4)	25%	(39.4)	(61.6)	23%	(75.8)
Recurring EBITDA (*)	8.3	(17%)	6.9	8.6	21%	10.4	16.9	2%	17.3
% Margin	*21.6%*	(6p.p.)	*15.9%*	*21.6%*	(1p.p.)	*21.0%*	*21.6%*	(3p.p.)	*18.6%*
Net profit (**)	4.2	(61%)	1.7	4.2	(18%)	3.4	8.4	(39%)	5.1

(*) According to management accounting which excludes one-offs; (**) Estimated for 2H24 & 2024; Source: Alantra Equities

Alongside the strong H2 operating recovery, LLYC successfully resolved the BAM setback. It announced in January its re-sale to the former founder for $9m (plus interest), fully covering the $6.4m equity investment and over $1m in estimated legal costs.

A dive into the extraordinary H1 miss and its H2 mitigation

H1 results were weaker than expected, but much of the shortfall was due to extraordinary, non-recurring factors that were absent in H2. In H1, net revenues declined 4% organically, while adj. EBITDA dropped over 40% on a like-for-like basis. In contrast, H2—though not as strong as previous periods when LLYC consistently delivered mid-to-high single-digit organic growth—demonstrated significant improvement, with flat organic top-line growth and a smaller 10% organic decline in recurring EBITDA.

Adjusted for one-offs, H1 margin would have sat at >20%

In H1, we estimate extraordinary factors reduced recurrent EBITDA by ~€2m (4-5 p.p.), including workforce idle time from delayed contracts (€1.0-1.1m), one-off redundancy costs (€0.5m), and unusually high bad debts (€0.4m vs €0.1m for the whole of last year, and a positive reversion of €0.1m in FY22). Adjusted for these, recurrent EBITDA would have been €8.5-9.0m. That would have implied a +6% YoY growth (vs actual 17% fall) and a >20% margin (vs actual 15.9%). And would have sat closer to the much better €10.4m posted in H2, which is boosted by signed contracts in H1.

LLYC: H1 EBITDA BRIDGE

(€ m)	1H24
Reported recurrent EBITDA	6.9
% Margin	*15.9%*
Extraordinary Opex	1.1
Redundancy costs	0.5
Bad debts	0.4
Adjusted recurrent EBITDA	8.8
% Margin	*20.4%*

Source: Alantra Equities

So, “what were the drags on profitability that impacted H1 and how these have turn around in H2?”:

Contract starts were delayed, but teams had already been hired, thus impacting H1 but reversing in H2

1. **Delayed start of contracts signed.** In H1, LLYC’s Marketing unit secured significant contract wins with several major clients, including Vodafone, Turespaña, IFEMA (Spain), GWM (Mexico), and MEDC (US). However, the full kick-off of these contracts (€6.7m in estimated fees, ~20% of Marketing’s annual revenues) was delayed to H2, resulting in limited (if any) revenue recognition during H1. Meanwhile, the investment required to secure these contracts—new hires—was incurred in H1, leading to workforce idle time that impacted profitability. We estimate this had a €1.0-1.1m hit on H1 reported EBITDA, or 2-3 p.p.

   In H2, these contracts were fully rolled out, with pre-established teams executing seamlessly, driving a strong organic recovery in EBITDA growth. This demonstrates the company’s underlying operating leverage, as these teams are now well-positioned to handle additional contracts with minimal incremental investment.

Extraordinary severance costs in LatAm South impacted H1

2. **One-off personnel layoffs.** In H1 2024, LLYC restructured underperforming regions, likely in South LatAm (e.g., Brazil), incurring €0.5m in redundancy costs (~1p.p. EBITDA impact). Despite personnel changes from the Lambert acquisition (+82), U.S. hires (+15–20), and BAM’s exit (-31), LLYC reported only 1,230 employees in June, below expectations, reflecting some workforce optimization. These redundancy costs were non-recurring, though LLYC includes personnel-related changes within its recurring EBITDA calculation.

   In H2, with a leaner workforce, this €0.5m impact should have fully reversed. Improved efficiency in these regions, along with a pickup in client activity, is expected to further expand margins. We estimate that LatAm margins improved from mid-single digits in H1 to low-double digits in H2.

High one-off bad debts in H1

3. **High bad debts.** LLYC incurred ~€0.4m in bad debts during H1 (~1p.p. EBITDA impact), compared to just ~€0.1m for all of 2023 (and a positive €0.1m reversion in 2022). Whilst H2 full P&L has not yet been disclosed, we perceive the H1 increase as extraordinary, and expect bad debts to normalize to historical levels in H2, avoiding further profitability impacts.

Beyond company-specific factors, weak PR industry trends were evident across the Big 5 media agencies in H1 (see table below), matching LLYC’s slightly falling organic growth during the same period. Meanwhile, in LatAm (45-50% of LLYC’s 2023 revenues), elections in Mexico, Panama, and other regions created uncertainty and softer economic activity, hurting regional performance, a likely reason as to why extraordinary restructuring was done in H1.

In H2, Q3 showed some improvement across the industry. Publicis and Omnicom have just released their Q4 results, with both reporting a slight acceleration in sales trends—particularly Omnicom, whose PR business saw double-digit growth.

PR REVENUE GROWTH IN LISTED PEERS

LFL YoY (%)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
WPP	2.2%	2.0%	(0.9%)	2.4%	(3.3%)	1.5%	0.2%	n.a.
Omnicom	5.8%	0.1%	(5.5%)	(2.9%)	(1.1%)	0.9%	4.5%	10.3%
IPG	3.3%	3.7%	6.5%	2.9%	1.5%	1.3%	1.2%	n.a.
Dentsu (*)	(1.6%)	(4.7%)	(6.0%)	(6.6%)	(3.7%)	0.2%	(1.1%)	n.a.
Publicis (*)	7.1%	7.1%	5.3%	5.7%	5.3%	5.6%	5.8%	6.3%

(*) Total group revenues (no divisional segmentation by business line); Source: Alantra Equities

A confirmed margin recovery to 20% thanks to cost normalization

The combination of: 1) the kick-off of notable projects (mostly initiated during July-August) without material incremental costs; 2) the normalization of H1 extraordinary costs (extraordinary severance costs, bad debts); 3) the payoff from investments in US marketing hires; and 4) a more cautiously optimistic sector in H2 (as reflected in peers' 3Q earnings calls) has driven the recovery recently posted by LLYC in H2:

Net sales have grown by ~25% (+0-1% LFL) and recurring EBITDA by ~18%. On a LFL basis, recurring EBITDA has more mildly declined by 10%, a very notable improvement from the >40% drop in H1, as team investments begin to ramp up future sales. This recovery has enabled LLYC to meet its revised 2024 guidance of €94m sales and €17m recurring EBITDA, posting a 4p.p. margin rebound to >20% in H2 vs. H1, though still ~2p.p. below 2H23.

BAM discontinuation has been successfully resolved

BAM was discontinued in H1…

In March 2023, LLYC acquired an 80% stake in BAM, a smaller PR firm specializing in US West Coast tech start-ups, for ~€6.4m. BAM contributed ~6% of group net revenue in FY23 (€4.6m) and 8% of group EBITDA (€1.5m). However, in its 1H24 results, LLYC unexpectedly deconsolidated BAM from its accounts and initiated legal proceedings against the founder over alleged fraud in managing the company after LLYC's acquisition.

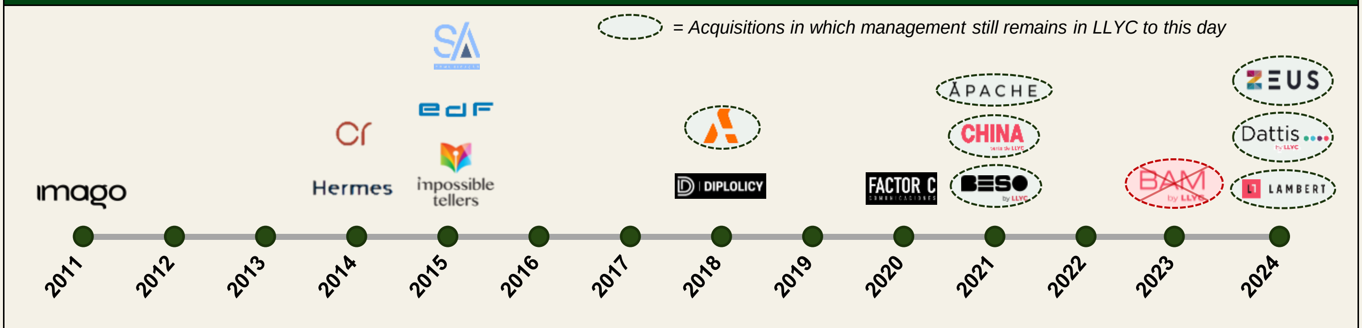
… and the incident has been successfully solved with LLYC recovering more than the invested equity

Despite this setback, on 31 December 2024, LLYC completed the sale of its 80% stake back to the founder for $9m, plus interest. The payment schedule includes $2.5m upfront (already received), quarterly payments of $150k until 2030, and a final payment of $3.05m in 2030. The deal more than recovers the equity investment ($6.4m) and associated legal costs (estimated at >$1m). The agreement is subject to judicial oversight (stipulated judgement), ensuring compliance with the terms. In the event of non-compliance, LLYC can demand a total payment of $10.6m.

The news is positive, not only because the investment is recovered with gains but because it reinforces LLYC's balance sheet and demonstrates LLYC's strong risk management practices. Over the past decade, LLYC has successfully acquired and integrated 15 companies, maintaining a robust RoCE of approximately 20%, all while demonstrating resilience and the ability to navigate unexpected setbacks or misconducts effectively. Execution on that front is an important part in the optionality of the equity story.

Below is an overview of LLYC's M&A activity, in which they have consistently retained original management teams by offering attractive career progression opportunities and fostering greater accountability within its organization. (Many leaders from earlier acquisitions have since retired.). Given this track-record, and that BAM's incident is not related to the M&A representations and warranties, but to the misconduct of the founder in managing BAM once under LLYC umbrella, we think BAM has been an isolated situation.

LLYC: HISTORICAL ACQUISITIONS



Source: Alantra Equities

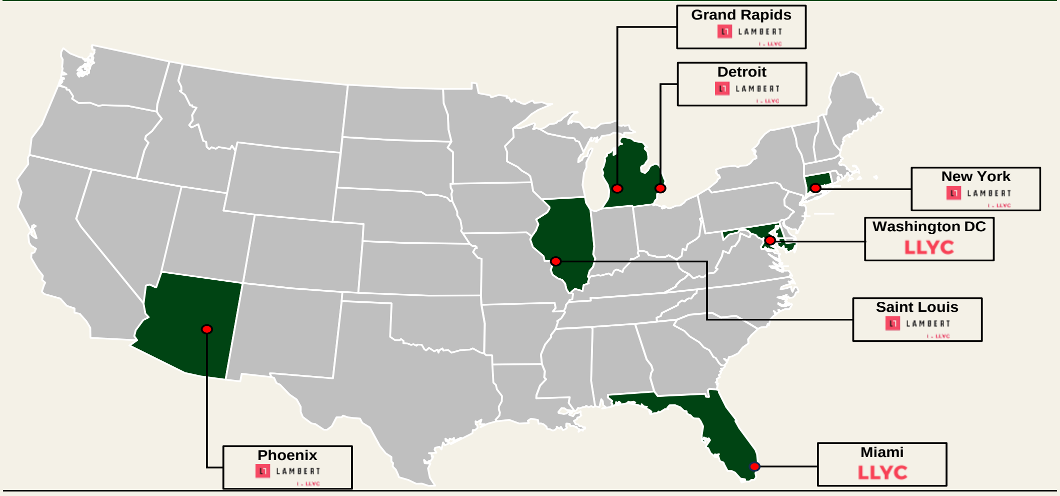
II. The US opportunity: a game-changer

In early 2024, LLYC acquired US corporate affairs boutique Lambert at ~6X EV/EBITDA, its largest acquisition to date

In February 2024, LLYC acquired 70% of US IR and PR firm Lambert for $18.2m (€16.8m), prior to earn-outs (we estimate ~€36.5m or ~6X EV/EBITDA, when including earn-outs/deferred payments of ~€6m and put liabilities of ~€12-13m). The sellers have a put option for the remaining 30%, which will expire in more than 5 years and is valued at €12-13m.

Lambert is a Corporate Affairs boutique, ranked the 10th largest IR firms and 40th largest PR firm in the US. It is based on the East Coast and employs more than 80 people (vs ~1,150 of LLYC pre-deal). In 2023, it generated $18.6m (€17.2m) in sales and $5.4m (€5.0m) in EBITDA, representing ~30-35% of LLYC's 2023 EBITDA, pre-deal and excluding BAM. The Lambert deal marks LLYC's largest acquisition to date and represents a significant strategic investment in the US market. Prior to the deal, LLYC was only present in Washington DC, and Miami; with Lambert, it now has offices in five new locations.

LLYC: LLYC'S AND LAMBERT'S US POSITIONING



Source: Alantra Equities

As we will elaborate below, we believe the acquisition affords LLYC a major opportunity driven by secular growth prospects in the traditional corporate affairs business and substantial cross-selling with Lambert clients through LLYC's complementary marketing services. This acquisition also enables LLYC to leverage NYC's position as a global financial hub, which will likely enhance visibility, attract high-value clients, and expand market share in the growing capital markets landscape. Additionally, we see US market entry as a chance for LLYC to expand margins (due to higher service fees) and outsource services to more cost-efficient in-house hubs in Spain or in LatAm (e.g., Mexico and Colombia).

US will account for 30% of the group by 2027

Overall, we estimate net sales in the US will reach €20m in 2024 (mainly from Lambert), contributing ~22% to the group, growing to €39m by 2027 (30% of group). That implies a 25% CAGR over FY24-27 and will account for >50% of LLYC's total growth during FY24-27. Based on organic growth alone, the US will account for ~65% of the group's overall organic growth.

LLYC: US NET REVENUE ESTIMATES

(€ m)	2023	2024E	2025E	2026E	2027E
Group Net sales	78	93	113	121	129
o/w US	4	20	29	34	39
% US of total net sales	5.4%	21.6%	25.6%	28.2%	30.4%

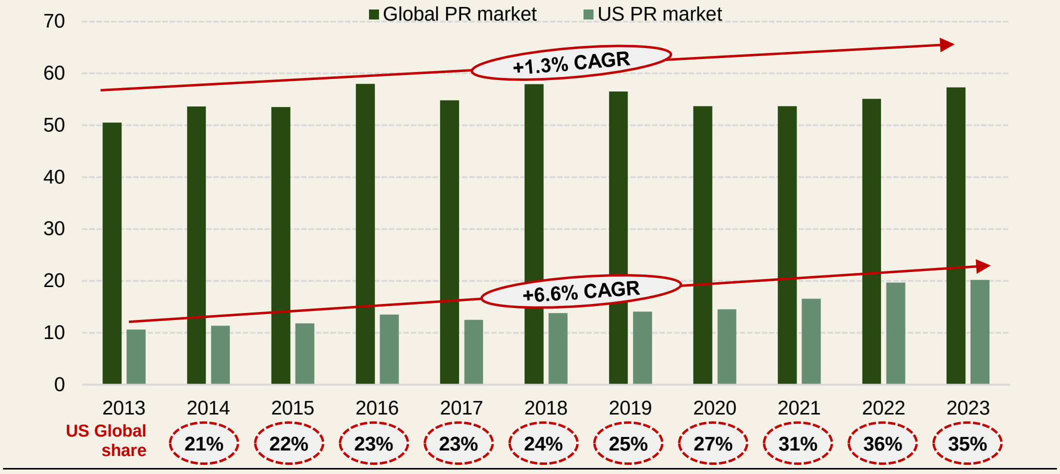
Source: Alantra Equities

1) Entering a PR market with strong fundamentals...

The US PR market is the fastest growing globally

The Lambert acquisition marks a strategic point of entry into the attractive US PR market, which accounts for 35% of the global market and grows at a significantly faster pace (7% CAGR vs c.1% globally). It offers substantial opportunity in such a fragmented competitive landscape. Lambert's current ~0.1% US market share leaves plenty of room for it to grow, particularly when compared to market leader Edelman's 3% share.

GLOBAL VS. US PR MARKET ($bn)



Source: Ibisworld, Statista, Alantra Equities

Key points to consider about Lambert's growth potential:

1) **Synergies with LLYC:** Lambert can leverage LLYC's international reach, PR expertise, and tech capabilities to enhance its service offering. That gives Lambert an edge in serving broader client needs and capturing more market share.

2) **Cross-market client opportunities**: LLYC's existing clients from Spain or Latin America, particularly those with US operations, could be re-routed to Lambert, providing a steady pipeline of new business.

3) **Enhanced credibility**: Being part of a publicly listed company like LLYC could increase Lambert's visibility and credibility, which should favour both client acquisition and retention.

4) **Fragmented market**: Despite being a notable player, Lambert's small market share (~0.1%) reveals significant room for growth within a fragmented market of over 8,600 agencies.

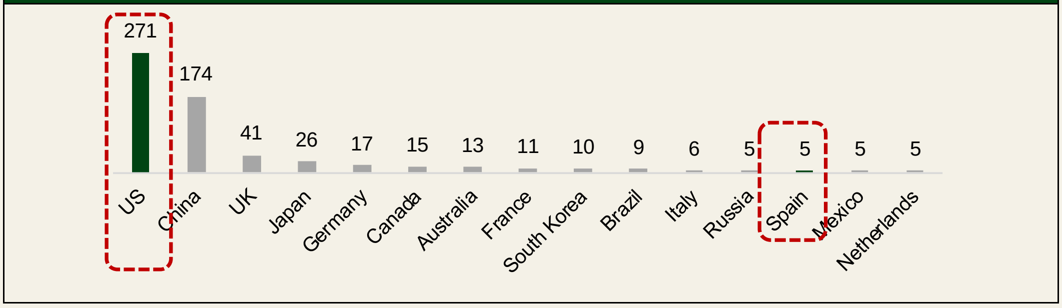
With the PR market expected to see mid-single-digit growth in 2024, driven by AI integration (which is needed to streamline operations and enhance engagement with media and audiences) and a demand for safeguards against disinformation, Lambert is well-positioned to outperform broader PR trends under LLYC's umbrella.

2) ...and major cross-selling opportunities in the Marketing space

The real upside stems from cross-selling opportunities in Marketing

The highly attractive US digital marketing industry is the largest in the world (>50% share, excl. China). According to Statista, it grew at a 20-25% CAGR over 2017-23 to c.$270bn (or €250bn). Only now is it expected to slow down as the market matures (+8% CAGR 2023-28).

WORLD DIGITAL MARKETING SIZE ($BN)



Source: Statista

LLYC has timed its strategy to enter the US digital marketing market well. Having acquired firms like Apache and BESO in 2021, it has expanded its data-driven and creative service offerings in the marketing space, setting the stage for cross-selling opportunities with Lambert's established PR clients.

Key factors driving LLYC's U.S. opportunity:

Leveraging on Lambert's existing PR clients should allow for rapid growth

1) **Starting from a low base with an existing client base to leverage:** LLYC's presence in the U.S. marketing sector was virtually non-existent until H1, when it built a new U.S. team following the acquisition of Lambert. That involved a mix of new local senior hires and leveraging the expertise of the experienced Apache and BESO teams. Notably, the head of the marketing division is the former founder of BESO.

   Although personnel investments weighed heavily on LLYC's H1 profitability, they have already started to yield commercial success. One of the five large clients LLYC had gained in H1 is a PR client of Lambert: the Michigan Economic Development Corporation (MEDC). MEDC alone has a larger media budget than any of LLYC's other clients. LLYC also noted in its H1 results that the media campaigns managed on behalf of its clients—high in revenue but low in margin—have increased 4X.

Sound credentials and technological investments

2) **Strong Google/Meta credentials, enhanced by technology investments:** Earlier in 2024, LLYC became a Google Premier Partner for its Google Marketing Platform (GMP). Also, LLYC holds multiple Meta certifications in Advertising Measurement, Media, and Community Management, further solidifying its capability to deliver comprehensive social media strategies. Such credentials give LLYC a competitive advantage in the US, especially considering the substantial reliance on those platforms for digital marketing.

   Moreover, LLYC is increasing its R&D&I investments (+50% in 1H24), focusing on new, innovative products like AI Media Activation, which aims to enhance its offering in the areas of automated media buying and data analytics.

Geographical cost hubs allow for competitive pricing

3) **Competitive Pricing:** By leveraging lower labour costs in Spain and LatAm, LLYC can offer competitive pricing to US clients. That cost advantage could be a key differentiator, especially for SMEs that might be priced out by larger agencies.

3) Our US market estimates

We expect the contribution of US sales will grow from 5% of group total (excluding BAM), at €4.3m, to >30% (~€39m) by 2027, driven by inorganic growth in the early stages (e.g. the Lambert acquisition, which we estimate has added €14.3m in 2024 and will add €2.8m in 2025) and then by strong organic growth thereafter. Marketing, in particular, is projected to contribute an additional ~€13m organically over FY25-27E (we estimate this was €2m in 2024), compared with €3.2m from Corporate Affairs (vs. a slight organic fall in 2024), whose position is more mature.

LLYC: US MARKET ESTIMATES

(€ m)	2023	2024E	2025E	2026E	2027E
Total US sales	**4.3**	**20.1**	**29.0**	**34.2**	**39.1**
YoY (%)	n.m.	371.3%	44.1%	18.2%	14.2%
% group total	5.4%	21.6%	25.6%	28.2%	30.4%
Marketing Sales	**1.9**	**11.4**	**17.4**	**21.7**	**26.1**
YoY (%)	n.m.	497.4%	52.3%	25.0%	20.0%
o.w. organic (LFL)	-	1.9	4.3	4.3	4.3
o.w. inorganic & FX	-	7.6	1.6	-	-
Corporate Affairs Sales	**2.4**	**8.7**	**11.6**	**12.5**	**13.0**
YoY (%)	n.m.	268.7%	33.4%	8.0%	4.0%
o.w. organic (LFL)	-	(0.4)	1.7	0.9	0.5
o.w. inorganic & FX	-	6.7	1.2	-	-

Source: Alantra Equities

III. Rapid deleveraging following intense 2024 M&A activity

In 1H24, LLYC reported net debt of ~€30m (including lease liabilities), up >€20m from 2023, primarily due to the Lambert acquisition (€17m cash outflow) and negative FCF driven by low EBITDA and adverse working capital seasonality. This raised leverage to 1.9X L12M EBITDA (including Lambert's EBITDA). Factoring in earnouts and put liabilities, adjusted net debt and leverage reached €56m and >3X, respectively.

H1 pro-forma debt was high, reaching 3.7X due to the intensive M&A done in 2024…

These figures exclude acquisitions made in July: an ~80% stake in Colombian PR agency Dattis for €7.05m and 80% of Spanish data boutique Zeus for €1.75m. Pro-forma leverage (i.e. including the above deals) for 1H24 was 2.1X EBITDA, or 3.7X adjusted for contingent liabilities associated to these deals. With all this, LLYC has put its B/S to work. To finance this intense M&A activity (€25-30m in cash outflows), LLYC secured a 5-year €47m syndicated loan at Euribor +165-200 bps. The loan also covers earnouts, providing stability as LLYC integrates assets and targets positive FCF.

LLYC: NET DEBT EVOLUTION

(€ m)	2019	2020	2021	2022	2023	1H24	1H24 PF
o/w Bank debt	1.2	0.9	10.5	8.9	11.4	30.6	39.4
o/w Lease liabilities	5.2	6.2	8.1	7.4	7.0	7.6	7.6
o/w Cash	(8.4)	(9.9)	(16.4)	(12.2)	(10.7)	(8.0)	(8.0)
Net debt	**(2.0)**	**(2.8)**	**2.2**	**4.2**	**7.7**	**30.2**	**39.4**
o/w earnouts / put liabilities	0.3	0.8	9.0	3.2	10.4	25.4	27.7
Adj. net debt (*)	**(1.7)**	**(1.9)**	**11.2**	**7.4**	**18.2**	**55.6**	**67.2**
ND/EBITDA	**(0.2X)**	**(0.3X)**	**0.2X**	**0.3X**	**0.5X**	**1.9X**	**2.1X**
Adj. ND/EBITDA (*)	**(0.2X)**	**(0.2X)**	**0.9X**	**0.5X**	**1.1X**	**3.6X**	**3.7X**

(*) Includes 100% of contingent liabilities; Source: Alantra Equities

… but the operating recovery and new BAM funds should allow for a rapid deleverage ~2X by FY25

With operations improving from 2H24 (absence of one-offs, full M&A contributions, and the ramp-up in the US and marketing efforts) and strong CF generation in 2025, we anticipate rapid deleveraging from 2025 onwards, as 2024 will still be impacted by the intense M&A activity. Also, the BAM disposal will further strengthen LLYC's balance sheet. By the end of FY24, we project net debt to settle at approximately €40m, including lease liabilities and BAM's upfront payment (~$1m net of costs in 2024). Adjusted net debt, accounting for all M&A related contingent liabilities, is expected to reach €55m by year end. Of this, we estimate ~€22m comes from M&A related contingent liabilities, or €16m net of the >$6,5 m pending collection from the BAM sale. It is worth noting, that we estimate 2/3 of the total contingent liabilities (i.e. €15m out of the €22m) will be due in 2029-30, supporting the company's near-term liquidity position. For 2025, we forecast net debt falling to €37m, or €50m on adjusted terms. That equates to 1.6X leverage or 2.1X adjusted.

€5-10m of firepower, enough for a new small-to-mid sized acquisition

We believe a reasonable leverage level for LLYC is around ~1.5-2.0X EBITDA, or ~2.0-2.5X when factoring in contingent liabilities. That would position LLYC to pursue growth opportunities in 2025, such as geographic expansion (e.g. US, Brazil) and enhancing its product portfolio with complementary technology. We estimate LLYC's financial capacity to be €5-10m, sufficient for small-to-mid-sized acquisitions. Overall, we maintain a favourable view of M&A for LLYC, as the company consistently generates value, with ROCE comfortably exceeding its cost of capital.

LLYC: NET DEBT AND LEVERAGE ESTIMATES

(€ m)	2019	2020	2021	2022	2023	2024E	2025E	2026E
o/w Bank debt	1.2	0.9	10.5	8.9	11.4	41.9	42.5	39.1
o/w Lease liabilities	5.2	6.2	8.1	7.4	7.0	7.6	7.6	7.6
o/w Cash	(8.4)	(9.9)	(16.4)	(12.2)	(10.7)	(9.8)	(12.7)	(12.7)
Net debt	**(2.0)**	**(2.8)**	**2.2**	**4.2**	**7.7**	**39.7**	**37.4**	**34.0**
o/w earnouts / put liabilities (*)	0.3	0.8	9.0	3.2	10.4	15.6	12.4	8.4
Adj. net debt	**(1.7)**	**(1.9)**	**11.2**	**7.4**	**18.2**	**55.3**	**49.8**	**42.3**
ND/EBITDA	**(0.2X)**	**(0.3X)**	**0.2X**	**0.3X**	**0.5X**	**2.3X**	**1.6X**	**1.3X**
Adj. ND/EBITDA (**)	**(0.2X)**	**(0.2X)**	**0.9X**	**0.5X**	**1.1X**	**3.2X**	**2.1X**	**1.6X**

(*) Sum of all pending earnouts and put liabilities netted out by BAM's pending collection (**) Includes 100% of contingent liabilities: Alantra Equities

IV. Our FY24-27 estimates

Adjusting our estimates to include 2024's M&A activity

We have adjusted our estimates as follows: 1) deconsolidating BAM, which has a c.€2m (or 10%) negative impact on total EBITDA; 2) integrating Lambert (€5m EBITDA contribution), Dattis (€1.6m), and Zeus (€0.9m), or ~35-40% of total EBITDA; and 3) weak organic performance in 1H24 that we partly extrapolate into 2025-26 (10-15% hit on our LFL EBITDA estimates). All in all, we have raised our net revenue and EBITDA estimates by 10-15% in 2025-26, respectively. But we have cut our net profit estimates by ~35% in FY24 and by 5-10% in FY25-26 to reflect higher D&A (capitalized costs), minorities and financial expenses.

LLYC: CHANGES IN ESTIMATES

	2024E			2025E			2026E		
(€ m)	Old	New	Diff	Old	New	New	Old	New	Diff
Net revenues	94.3	93.1	(1.4%)	101.6	113.2	11.4%	108.2	121.2	12.0%
Adj. EBITDA (*)	20.3	17.3	(15.0%)	21.6	23.7	9.9%	22.8	26.2	15.1%
Net Profit, adjusted (**)	10.6	6.9	(34.9%)	11.6	10.6	(8.8%)	12.5	12.2	(2.4%)

(*) Excluding one-offs; (**) Excluding 75% of one-offs and all PPA D&A; Source: Alantra Equities

Slightly below FY25's guidance, likely due to new M&A (which we do not include)

LLYC revised its 2023-25 strategic plan in October 2024, adjusting 2024 targets from €90m in net sales and €20m in adj. EBITDA to €93m and €17m, respectively. These have now been met. For 2025, our estimates sit ~5% below LLYC's guidance (€120m net sales and €25m adj. EBITDA), and we believe LLYC will require factoring in additional M&A activity for a total amount of €7m in net revenues and €1.5 m in EBITDA, which we think is achievable based on LLYC's track record.

LLYC: OUR ESTIMATES VS GUIDANCE

(€ m)	LLYC	Alantra	M&A
Net revenues	120.0	113.2	≈7
Adj. EBITDA	25.0	23.7	≈1.5

(*) Excluding one-offs; (**) Alantra estimate does not include any additional M&A; Source: Company reports, Alantra Equities

1) ~14% Adj. EBITDA CAGR growth FY23-27E

H1 was temporary setback that was reverted in H2. In 2024, net sales have grown ~20%, fully driven by inorganic contributions, and contrasting with recent mid-to-high single-digit organic growth. Whilst profitability has seen a 3p.p. fall to an ~19% recurrent EBITDA margin, fully explained by the adverse trends seen in H1 (personnel investment, project delays, bad debts, etc) but posting a sequential improvement throughout the year (from 16% in H1 to ~21% in H2). That should lead to modest growth in adj. EBITDA to ~€17m, despite the top-line boost.

~14% Adj. EBITDA CAGR growth FY23-27E

For 2025, we expect low-double-digit net sales organic growth, complemented by residual inorganic contribution from 2024's M&A. Beyond 2025, Corporate Affairs may see more moderate growth due to market maturity. Whilst Marketing is forecasted to grow by double digits, driven by LLYC's low market penetration, US expansion, and faster sector growth. Adj. EBITDA margins are expected to gradually recover to 21-22% over FY25-27 and reach 2023's ~22% eventually. By 2027, recurrent EBITDA should reach ~€28m, implying a ~14% adj. EBITDA CAGR FY23-27E.

LLYC: DIVISIONAL ESTIMATES

(€ m)	2023	YoY%	2024E	YoY%	2025E	YoY%	2026E	YoY%	2027E
Gross sales	**96.8**	**24%**	**119.6**	**29%**	**153.9**	**16%**	**178.6**	**16%**	**207.5**
Total sales	**78.5**	**19%**	**93.1**	**22%**	**113.2**	**7%**	**121.2**	**6%**	**128.7**
Marketing	37.3	21%	45.1	30%	58.7	10%	64.7	9%	70.6
Corporate Affairs	41.3	16%	48.1	14%	54.6	4%	56.6	3%	58.2
EBITDA, adjusted (*)	**16.9**	**2%**	**17.3**	**37%**	**23.7**	**10%**	**26.2**	**7%**	**28.1**
Marketing	5.9	2%	6.0	83%	11.1	17%	13.0	12%	14.5
Corporate Affairs	11.0	2%	11.3	12%	12.7	5%	13.2	3%	13.6
Adj. EBITDA Margin (*)	**21.6%**		**18.6%**		**20.9%**		**21.6%**		**21.8%**
Marketing	15.9%		13.4%		18.8%		20.0%		20.5%
Corporate Affairs	26.7%		23.4%		23.2%		23.4%		23.4%

(*) Excluding one-offs; Source: Alantra Equities

One might argue that our projected EBITDA growth for 2025 (+37% YoY, from €17.3m to €23.7m) seems overly optimistic. We disagree:

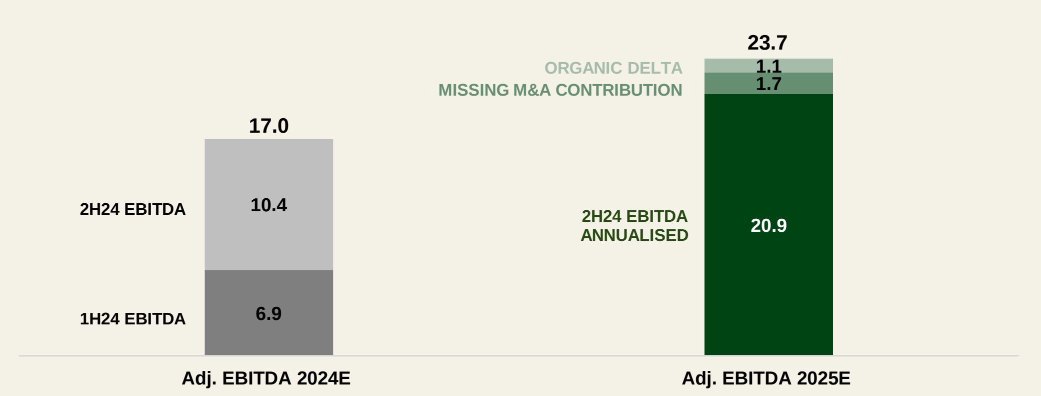
1. The company has met its revised guidance for 2024, confirming that the H1 downturn was temporary. The activation of delayed projects in H2 led to a strong EBITDA of €10.4m (21% margin) for 2H24. Annualized, this provides a robust starting point of €20.9m for FY25.

2. In addition, we factor in €1.7m from unrealized M&A contributions in 2H24, which were not fully reflected due to: 1) the timing of Lambert's acquisition (which typically contributes more in H1 vs. H2—the acquisition closed in Feb-24), and 2) Zeus's acquisition in July and its location in Valencia, as such, we expect DANA floods have impacted its contribution in H2.

3. Finally, this leaves only €1.1m to be covered through organic growth. Achieving this would require a +6-7% YoY LFL increase—an attainable target, in our view. This growth builds on a soft 2024 base, particularly in Southern LatAm, and is further supported by the progressive ramp-up of the recently established US marketing team.

With these factors in place, we believe our projections are both well-grounded and achievable.

LLYC: 2025 ADJ. EBITDA BRIDGE



Source: Alantra Equities

We forecast stable D&A expenses of €6-7m (5-6% of net sales), financial costs of €2-3m, taxes of €2-5m (29-30% rate), and ~€1m for minorities, resulting in an annual net profit of €9-12m for FY25-27. For 2024, LLYC's net profit is expected to be approximately half of 2023's due to jumps in D&A (includes higher PPA), financial expenses (cost capitalisation), and minorities.

LLYC: P&L HIGHLIGHTS

(€ m)	2023	% YoY	2024E	% YoY	2025E	% YoY	2026E	% YoY	2027E	CAGR 23-27E
Adj. EBITDA (*)	16.9	2%	17.3	37%	23.7	10%	26.2	7%	28.1	13.5%
Rep. EBITDA	16.6	(8%)	15.3	55%	23.7	10%	26.2	7%	28.1	14.1%
D&A	(3.8)	54%	(5.9)	6%	(6.2)	1%	(6.3)	3%	(6.5)	
EBIT	12.8	(26%)	9.4	86%	17.5	14%	19.9	9%	21.6	14.1%
Net financials	(1.9)	46%	(2.8)	14%	(3.2)	2%	(3.2)	(8%)	(3.0)	
Taxes	(3.2)	(38%)	(2.0)	109%	(4.1)	15%	(4.8)	10%	(5.3)	
Minority results	(0.5)	39%	(0.8)	37%	(1.0)	10%	(1.1)	7%	(1.2)	
Net Profit	8.6	(41%)	5.1	80%	9.1	18%	10.8	13%	12.2	9.0%
Adj. EPS (€) (**)	0.87	(18%)	0.71	29%	0.92	16%	1.07	11%	1.19	8.1%

(*) Excluding one-offs; (**) Excluding one-offs and treasury shares; Source: Alantra Equities

Following 2024's >3X peak, operating recovery should prompt rapid deleverage over FY25-27

2) Cash flow estimates

We anticipate capex will gradually increase from €2.9m in 2023 to ~€4m by 2026-27 as LLYC continuesinvesting in R&D&I (e.g. in AI tools and proprietary technology) to enhance its value proposition. We expect a significant increase in receivables in line with the higher volume of media campaigns managed for clients. But we assume payments to platforms (e.g. Google and Meta) on LLYC's behalf will match its collections from clients, and ultimately have a neutral impact on its working capital. The €1-3m in working capital investment will primarily stem from the projected growth in fees over the two-month average collection period.

Considering EBITDA evolution, we expect LLYC's operating FCF will go from ~€3m in 2024 to ~€12m by 2027. Below that, we have added ~€37m in M&A investments in 2024, including ~€27m in "real" cash outflows and ~€10m in new contingent liabilities from 2024's M&A. That is net of the ~$6.5m to be collected from the recent BAM re-sale.

As a result, adjusted net debt (incl. lease and contingent liabilities) should increase in 2024 to ~€55m and 3.2X EBITDA (or <3X, when factoring in full EBITDA contribution from 2024 M&A). Looking ahead, we expect a major leverage reduction in 2025, fuelled by the operating recovery (EBITDAaL conversion returning to ~40%). From there, we expect a ~0.5X of organic deleverage p.a., which factors in €7-9m FCF generation p.a. (post dividends and minorities) and high single-digit EBITDA growth.

LLYC: CASH FLOW ESTIMATES

(€ m)	2021	2022	2023	2024E	2025E	2026E	2027E	24-27E
Total cash flow	**7.7**	**9.2**	**12.1**	**9.4**	**14.0**	**15.7**	**17.4**	**56.5**
Capex	(1.9)	(2.4)	(2.9)	(3.4)	(3.5)	(3.6)	(3.7)	(14.2)
Working capital	(1.2)	(1.3)	(2.2)	(2.9)	(2.2)	(1.6)	(1.4)	(8.1)
Operating FCF	**4.7**	**5.5**	**7.0**	**3.2**	**8.3**	**10.5**	**12.2**	**34.2**
% EBITDAaL Conversion	48.8%	42.4%	48.5%	24.3%	39.0%	44.1%	47.7%	40.8%
Disposals (acquisitions)	(27.1)	-	(15.0)	(37.0)	-	-	-	(37.0)
IFRS16	(1.8)	0.6	0.4	(0.6)	-	-	-	(0.6)
Dividends to minorities	-	(0.5)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)
Rights issues	9.9	-	-	-	-	-	-	-
Other	1.2	(0.4)	(1.5)	-	-	-	-	-
FCF pre-remuneration	**(13.1)**	**5.3**	**(9.3)**	**(35.2)**	**7.5**	**9.7**	**11.4**	**(6.6)**
Dividends & SBB	-	(1.5)	(1.5)	(1.9)	(2.0)	(2.2)	(2.7)	(8.8)
FCF	**(13.1)**	**3.8**	**(10.8)**	**(37.1)**	**5.5**	**7.4**	**8.8**	**(15.4)**
Adj. Net debt (*)	**11.2**	**7.4**	**18.2**	**55.3**	**49.8**	**42.3**	**33.6**	
Leverage, adjusted (*)	**0.9X**	**0.5X**	**1.1X**	**3.2X**	**2.1X**	**1.6X**	**1.2X**	
Net debt	**2.2**	**4.2**	**7.7**	**39.7**	**37.4**	**34.0**	**25.6**	
Leverage	**0.2X**	**0.3X**	**0.5X**	**2.3X**	**1.6X**	**1.3X**	**0.9X**	

(*) Including contingent liabilities; Source: Alantra Equities

V. Our valuation range offers upside potential of 60-90%

1) Valuation range of €11.30-13.60p.s.

Our DCF valuation yields €11.30-13.60 p.s. valuation range...

We estimate LLYC's value by using a DCF valuation approach with these main assumptions: 1) WACC of c.10% (with Ke at 11.6% and Kd after tax at 3.6%); and 2) a terminal growth rate (g) of 2%. To evaluate LLYC's potential value, we have considered three scenarios (excluding any value creation from future M&A):

a) **Base case:** EV of €195m (or €144m when adjusted for FY25 net debt of €50m, minorities of €2m, and treasury shares of ~€1m). That equals €12.40 per share and suggests ~70% upside from current prices. This scenario assumes a 5% LT sales growth and an EBITDA margin of 21.5%, in line with our last estimated year (2027).

b) **Cautious case:** EV of €182m, with equity at €132m or €11.30 p.s. That implies upside of ~55%. Assumptions include 4% LT sales growth and a 21% EBITDA margin, in line with our 2025 estimate.

c) **Optimistic case:** EV of €209m and equity at €158m (or €13.60 per share). Upside is ~90%. This scenario assumes 6% LT sales growth and a 22% EBITDA margin.

In summary, those scenarios yield a valuation range of €11.30-13.60 per share. That is approximately 5-10% below our previous valuation range, reflecting the cut to our LFL estimates and the impact of BAM's discontinuation (which does not assume any litigation gains).

LLYC: DCF VALUATION RANGE

	Cautious		Base		Optimistic	
	€ m	**€ p.s.**	**€ m**	**€ p.s.**	**€ m**	**€ p.s.**
Initial flows (1)	81.4	7.0	84.6	7.3	88.0	7.6
Terminal value (2)	101.1	8.7	110.5	9.5	120.6	10.4
EV (1) + (2)	**182.4**	**15.7**	**195.1**	**16.8**	**208.6**	**17.9**
Net debt	(49.8)	(4.3)	(49.8)	(4.3)	(49.8)	(4.3)
Minorities	(2.3)	(0.2)	(2.3)	(0.2)	(2.3)	(0.2)
Treasury stock	1.3	0.1	1.3	0.1	1.3	0.1
Equity value	**131.7**	**11.30**	**144.3**	**12.40**	**157.8**	**13.60**
Number of shares (m)	11.6		11.6		11.6	
TP (€)	**11.30**		**12.40**		**13.60**	
Share price (€)	7.20		7.20		7.20	
Upside / (downside)	**57%**		**72%**		**89%**	

Source: Alantra Equities

...and our valuation implies 8-9X EV/EBITDA and 13-15X P/E in 2025

Our **base case** scenario anticipates an EV/EBITDA multiple of 8X for 2025, with P/E ratio of 14X. Our +5-6% annual organic sales growth projection is relatively conservative, as industry forecasts suggest that LLYC's PR/Corporate Affairs segment (~55% of revenue and ~65% of EBITDA in 2025) could grow at +4-6% annually, while digital marketing (covering ~45% of revenue and ~35% of EBITDA) may grow faster at +7-9% annually. That implies a blended growth rate closer to +6-7% p.a., compared to our assumed +5-6%.

LLYC: IMPLIED VALUATION MULTIPLES

	EV/Sales (X)		EV/EBITDA (X)		EV/EBIT (X)		P/E (X)	
	2024E	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**
Cautious	2.0	1.6	11.9	7.7	19.4	10.4	16.2	12.5
Base	**2.1**	**1.7**	**12.8**	**8.2**	**20.7**	**11.2**	**17.8**	**13.7**
Optimistic	2.2	1.8	13.6	8.8	22.2	11.9	19.4	14.9

Source: Alantra Equities

H2 turnaround and delivery on FY25 targets should drive rerating

Shares were down ~40% after H1 results and have since recovered +20% after H2 results

LLYC's margin decline in H1, coupled with the BAM setback, weighed heavily on its share price, which dropped by nearly 40% since the release of H1 results until early January, reaching its lowest level since the IPO in July 2021. While some weakness was expected given the earnings miss, we believe the market reaction was excessive. H2 results have addressed most concerns, reaffirming H1 was an isolated event, while the BAM situation has been successfully resolved. Shares are up +20% since then.

Since the IPO, LLYC has consistently delivered solid performance, achieving strong growth organically and inorganically. Now, with its expansion into the US market – one of the largest and fastest-growing PR and marketing sectors – the company is positioned for significant medium-term growth opportunities.

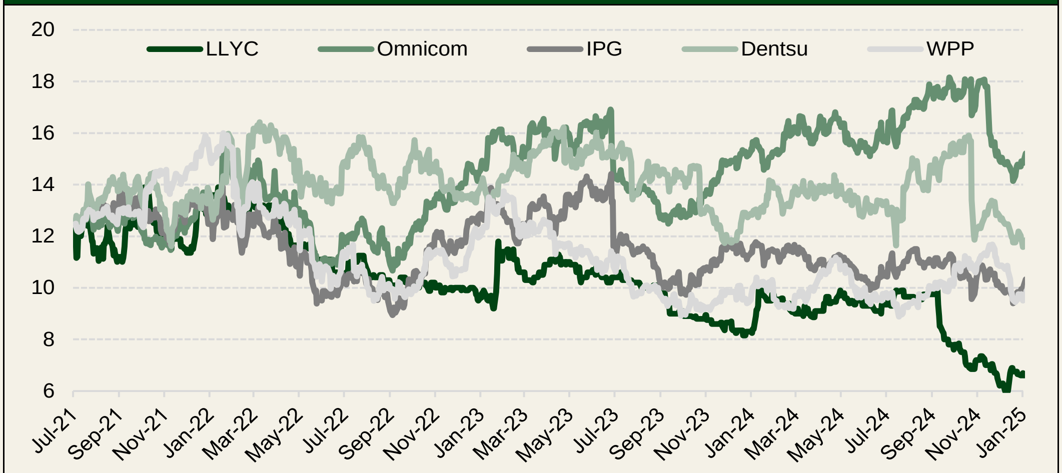
LLYC's M&A track record is another strength, with the successful integration of over 15 companies while maintaining high double-digit RoCE (~17% pre-tax expected in 2025). If the company delivers on its FY25 growth ambitions, a substantial re-rating could follow. LLYC's current valuation is ~40% below its IPO price, despite earnings having doubled and the company achieving greater portfolio and geographic diversification, including a growing contribution from the US. As seen below, since becoming listed, LLYC has nearly doubled revenues and EBITDA, and increased earnings by 1.5X. And it has improved its geographic mix, with the US accounting for around 1/3 of the EBITDA.

LLYC: OPERATING PERFORMANCE VS IPO

(€ m)	2021	2025E	Chg.
Revenues	53.3	113.2	2.1X
Adj. EBITDA	12.7	23.7	1.9X
o/w US	<5%	≈35%	
Net Profit	7.0	10.6	1.5X

Source: Alantra Equities

LLYC: MARKET SHARE PRICE VS. PEERS SINCE IPO



Source: Alantra Equities

Since no other pure-play PR or communications firms are publicly listed, we use large media conglomerates for comparison purposes. They own independent PR brands (e.g., BCW at WPP, FleishmanHillard and Ketchum at Omnicom, Weber Shandwick at IPG, and MSL at Publicis) and blend traditional PR with media and marketing, which mirror LLYC's recent shift. We also include Making Science, a Spanish-listed peer focused primarily on digital marketing.

Trading at a steep discount to peers once EBITDA recovers in FY25

Media conglomerates currently trade at 7-8X EV/EBITDA and 11-12X P/E for FY24-25. LLYC's FY24 multiples have fallen significantly and now align with those of peers, but that is despite a profitability outlook that is "depressed" because of the weak H1. For FY25, as LLYC's profitability normalizes (~15% EBIT margin), its multiples trade at a discount to industry peers'. We argue that is unjustified, and even expect LLYC to trade at a premium (as in the past) based on its projected growth of 15-20% p.a. over FY24-25, which significantly outpaces its peers' ~3% growth. LLYC's organic growth alone exceeds its competitors' 6-8% total growth p.a. by 2X.

LLYC: PEERS TRADING MULTIPLES												
	Market	EV/EBITDA (x)		EV/EBIT (x)		P/E (x)		EBIT Margin		Sales growth		
Company	**cap**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**	**2024E**	**2025E**	**ND/EBITDA**
WPP	9,957	6.5	6.1	7.6	7.4	8.8	8.6	14.8%	14.9%	(3.9%)	(1.1%)	1.4
Omnicom	16,384	9.0	7.7	9.5	8.3	10.8	10.1	14.8%	15.3%	7.2%	3.7%	0.6
IPG	10,295	6.9	6.9	8.3	8.2	10.2	10.5	16.1%	15.8%	(1.2%)	(2.5%)	0.4
Dentsu	5,809	7.9	6.1	NA	NA	n.m.	13.2	NA	NA	8.1%	2.7%	0.7
Publicis	26,639	9.0	8.2	11.1	10.0	14.4	13.3	17.2%	17.4%	6.5%	9.1%	(0.1)
Media holdings Avg.		**7.9**	**7.0**	**9.1**	**8.5**	**11.1**	**11.1**	**15.7%**	**15.8%**	**3.4%**	**2.4%**	**0.6**
Making Science	81	27.1	13.2	17.7	10.8	n.a.	13.7	10.0%	13.8%	13.4%	12.2%	2.9
LLYC	**84**	**8.4**	**6.0**	**15.5**	**8.2**	**16.5**	**9.3**	**10.1%**	**15.3%**	**18.6%**	**21.7%**	**2.7**

Source: LSEG, Alantra Equities

The sector is not immune to M&A. LLYC is well-positioned to buy or become a target for consolidation (even though that does not match its partners' goals, and it seems unlikely to happen) because the sector is highly fragmented across all regions, with many small players that LLYC could integrate to expand its client portfolios.

Sector M&A has been done at very attractive multiples

Larger firms have also engaged in M&A. Notably, FGS Global, owned by WPP, was sold to private equity firm KKR in August at a valuation of $1.7bn. (KKR already held a minority interest since July 2023). FGS generated $465m in sales and $90m in EBITDA in 2023. That valued FGS at ~4X EV/sales and 19X EV/EBITDA, or ~3.5X and ~17-18X based on 2024 estimates. If applied to LLYC, it would imply a €270-330m EV, ~2X or above the current levels. But FGS Global is likely to command a premium due to its predominantly US-based client base, while LLYC is mostly exposed to the riskier markets of LatAm and Spain. We expect sector M&A will remain a predominant theme in the industry.

LLYC: FGS GLOBAL IMPLIED VALUATION							
(€ m)	**LLYC FY24E**	**FGS multiples**	**Implied EV**	**ND & others**	**Equity value**	**Implied SP p.s.**	**Upside**
Net sales	93	3.5X	326	(56)	269	23.15	222%
EBITDA, rep.	15	17.5X	268	(56)	211	18.16	152%

Source: Alantra Equities

3) Implications from the Omnicom-IPG merger

On December 9, Omnicom announced the acquisition of IPG for approximately $13bn in an all-share deal. This merger would create the largest media entity, with projected revenues of $25.2bn (~€23.9bn) and EBITDA of $4.3bn (~€4.1bn), surpassing France's Publicis and the UK's WPP. The merger's key objectives are:1) establishing a leading AI-driven media powerhouse to secure a competitive edge; 2) achieving $750m in annual cost synergies.

The deal values IPG at 1.4X25 EV/Sales and ~8X25 EV/EBITDA, based on consensus estimates. Applying these multiples to LLYC suggests an EV of €160–180m, implying a 30–60% upside from current prices. These figures align with our fair value estimate for LLYC but appear conservative for M&A. Notably, IPG and Omnicom lack growth (compared to LLYC’s >10% p.a.) and have weaker margins (18-19% vs. LLYC's 20-21%, and growing), suggesting LLYC could command a higher valuation in an M&A scenario.

LLYC: IPG IMPLIED VALUATION							
(€ m)	**LLYC FY25E**	**IPG multiples**	**Implied EV**	**ND & others**	**Equity value**	**Implied SP p.s.**	**Upside**
Net sales	113	1.4X	161	(51)	111	9.51	32%
EBITDA, rep.	24	7.8X	185	(51)	135	11.57	61%

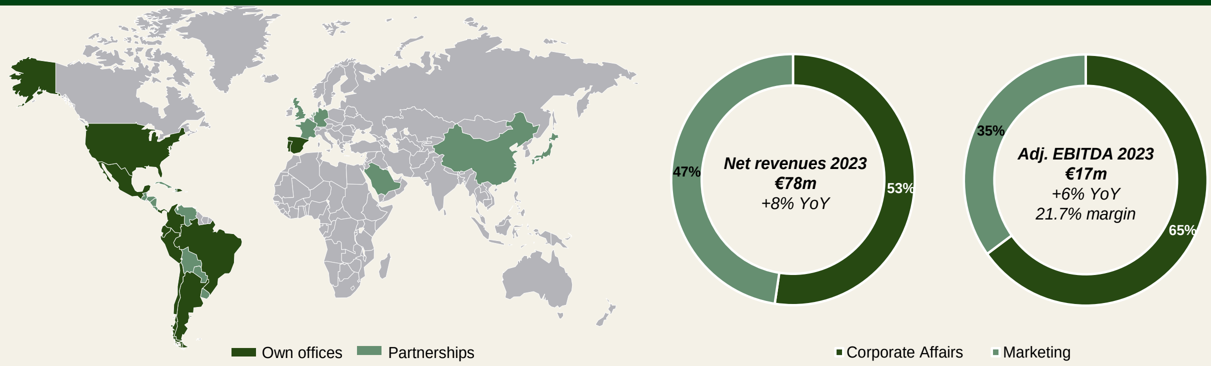
Source: Alantra Equities

Both firms house prominent PR brands (FleishmanHillard, Ketchum, Porter Novelli under Omnicom and Weber Shandwick, Golin and DeVries under IPG), deeply rooted in the US market. This merger could create opportunities for LLYC’s US business, particularly through Lambert. As Omnicom and IPG integrate, client portfolio optimization—like eliminating redundancies—could position LLYC as an alternative for small to mid-sized firms, supporting its US growth ambitions.

VI. Appendix 1: Brief business profile

LLYC is a global corporate affairs and marketing consulting firm. It operates across Europe, LatAm and the US and recently expanded into Marketing solutions. After a successful M&A and organic growth driven strategy, it generated €78m in sales (excluding BAM) in 2023 (+8% YoY, and +17% CAGR in the L5Y) and €17m in adjusted EBITDA (+6% YoY and +14% CAGR L5Y)

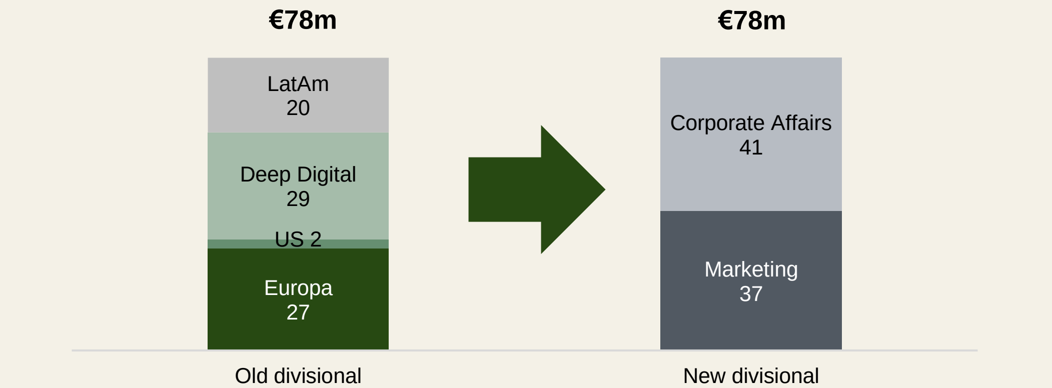
LLYC: REVENUES & EBITDA GEOGRAPHICAL MIX IN 2023



Source: Alantra Equities

LLYC recently reorganized its corporate structure into a 2x3 matrix. It consists of two business lines, Corporate Affairs (53% of group revenues) and Marketing (47%), across its three geographic regions: Europe, LatAm, and the U.S. But LLYC only reports on geographical distribution at the top-line level, as it relies on shared resources for operations (e.g., utilizing the greater know-how of the Mexico team in paid media to address regional needs elsewhere). That renders regional comparisons all but meaningless at the EBITDA level.

LLYC: A CHANGE IN THE ORGANIZATIONAL STRUCTURE (2023 NET REVENUES)



Source: Alantra Equities

Below, we briefly describe each of LLYC's business lines:

53% of sales

Corporate Affairs (53% of sales) covers all activities relating to Public Relations (PR) and corporate advisory services. They include reputation, leadership and sustainability; corporate operations and investor relations; public affairs and corporate diplomacy; and talent, culture and people. Corporate Affairs, which is LLYC's core business, is what it is globally known for; however, it operates in a more mature industry, with a projected CAGR of 4-6% over FY24-28.

47% of sales

Marketing (47% of sales) is an area LLYC has invested a great deal to diversify into with its acquisitions of BESO, Apache, and China in 2021, driven by a technology-focused approach. The division encompasses creativity, paid media and performance, growth, and deep learning. It leverages on strong cross-selling synergies with LLYC's traditional PR business. The Marketing segment offers attractive growth opportunity, as current market penetration is low and the industry outlook is more favourable, with a projected CAGR of 7-9% over FY24-28.

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