

EQUITY - SPAIN

Sector: Media

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6m 2022 Preliminary results

Closing price: EUR 10.45 (21 Jul 2022)

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Opinion ⁽¹⁾: In lineImpact ⁽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 (55% of 2020 revenue) and in Latam (c. 45% of revenue).

1H22 results, in line. The step-up in size is already a reality (1H22 revenue +69.7% vs 1H21)

Market Data

Market Cap (Mn EUR and USD)	121.6	124.0
EV (Mn EUR and USD) ⁽²⁾	118.2	120.5
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	13.73 / 12.08 / 10.45	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽³⁾	7.5	
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	9.0
Indumenta Pueri	7.5
Free Float	10.7

Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. n° shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	64.1	82.3	88.9	97.8
Rec. EBITDA	12.7	15.8	17.7	19.6
% growth	50.2	24.7	11.7	10.8
% Rec. EBITDA/Rev.	19.8	19.2	19.9	20.0
% Inc. EBITDA sector ⁽⁴⁾	24.8	9.4	19.2	16.1
Net Profit	5.3	8.4	9.8	11.4
EPS (EUR)	0.46	0.72	0.84	0.98
% growth	113.1	57.9	16.8	15.5
Ord. EPS (EUR)	0.55	0.72	0.84	0.98
% growth	86.3	31.2	16.8	15.5
Rec. Free Cash Flow ⁽⁵⁾	8.9	6.0	7.2	10.7
Pay-out (%)	0.0	17.7	0.0	0.0
DPS (EUR)	0.00	0.13	0.00	0.00
Net financial debt	-1.1	-5.6	-12.7	-23.4
ND/Rec. EBITDA (x)	-0.1	-0.4	-0.7	-1.2
ROE (%)	21.7	26.6	24.6	22.4
ROCE (%) ⁽⁵⁾	26.6	30.7	32.0	34.0

Ratios & Multiples (x)⁽⁶⁾

	2021	2022e	2023e	2024e
P/E	22.8	14.5	12.4	10.7
Ord. P/E	19.0	14.5	12.4	10.7
P/BV	4.3	3.5	2.7	2.2
Dividend Yield (%)	0.0	1.2	0.0	0.0
EV/Sales	1.84	1.44	1.33	1.21
EV/Rec. EBITDA	9.3	7.5	6.7	6.0
EV/EBIT	13.9	9.1	7.9	7.0
FCF Yield (%) ⁽⁵⁾	7.3	4.9	5.9	8.8

(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) Treasury stock 2.9%. Other LLYC partners: Alejandro Romero 5.2%, Luisa García 2.1%, Adolfo Corujo 1.8%.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

1H 2022 RESULTS: STRONG GROWTH IN REVENUE, EXPECTED DUE TO M&A INTEGRATION (EUR 43.6MN; +69.7% VS 1H 2021).

In line with our estimates, 2021 M&A contributed c. EUR 12Mn (46.3% of 1H 2022 revenue growth; estimated by LH) and so far organic growth has been able to weather the macro situation (+23.4% vs 1H 2021). By regions, Latam and the US did best thanks to the euro/dollar parity and the penetration of Deep Digital Business (ddb) that continues to grow and now represents c.30% of 1H 2022 revenue (vs 22% in 2021).

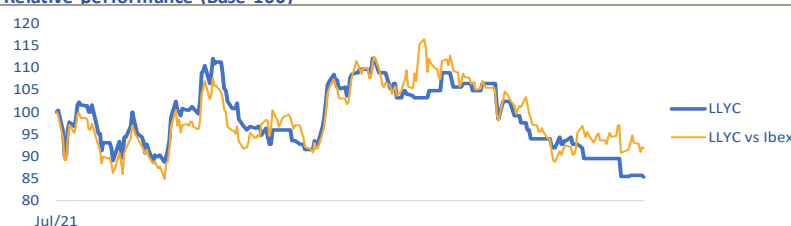
EBITDA, IN LINE. LLYC closed 1H 2022 with EBITDA of EUR 8.1Mn that is in line with our estimate of EUR 15.8Mn for the 2022e close. The EBITDA margin is slightly smaller than expected (1H 2022 Rec. EBITDA margin 18.6% vs 19.2% in 2022e), the difference being mainly due to: i) the absorption of the acquisitions made at the end of 2021, that have a lower operating margin and ii) the impact of inflation on salaries and operating costs (that it expects to be able to pass along to new projects).

OUR ESTIMATES ARE UNCHANGED. Even with the current macro context (economic slowdown and pressure on margins), LLYC fully meets expectations. We maintain our estimates for 2022e revenue of EUR 82.3Mn and Rec. EBITDA of EUR 15.8Mn.

THE NET CASH POSITION POINTS TO INORGANIC GROWTH. Despite the July 2022 extraordinary dividend, the company maintains a net cash position (2022e: EUR 5.6Mn). This leads us to think of the continuation of its strategy of consolidation as sector leader through inorganic growth.

IN CONCLUSION: RESULTS THAT CONFIRM OUR ESTIMATES AND THE DEFENSIVENESS OF LLYC'S BUSINESS. These results reaffirm the idea of LLYC as a business able to grow strongly (>+20% in revenue 1H 2022) in unfavourable macro situations such as the present one. The share price performance -3m (-19.5%) has led LLYC to present 2022 multiples (PER 14.5x and EV/EBITDA 7.5x) well below those of its sector (PER 18.1x and EV/EBITDA 10.1x) and apparently inconsistent with its proven capacity for growth.

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-4.7	-16.0	n.a.	-8.0	n.a.	n.a.
vs Ibex 35	-2.0	-7.6	n.a.	0.1	n.a.	n.a.
vs Ibex Small Cap Index	2.4	-5.9	n.a.	-1.7	n.a.	n.a.
vs Eurostoxx 50	-7.4	-8.3	n.a.	10.0	n.a.	n.a.
vs Sector benchmark ⁽⁴⁾	-13.4	-8.6	n.a.	3.3	n.a.	n.a.

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. 130 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 2022 Preliminary results

6m 2022 Preliminary results

LLYC has released preliminary 1H 2022 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). Results are in line with expectations. The audited 1H22 results will be released at the end of September 2022.

EUR Mn	6m22 Real	6m21	6m22 Real vs		2022e vs
			6m21	2022e	2021
Total Revenues	43.6	25.7	69.7%	82.3	28.3%
Operating revenues*	35.6	23.2	53.5%	66.0	28.8%
<i>Gross Margin/Revenues</i>	<i>81.7%</i>	<i>90.3%</i>	<i>-8.6 p.p.</i>	<i>80.3%</i>	<i>0.4 p.p.</i>
Recurrent EBITDA	8.1	6.2	31.0%	15.8	24.6%
<i>Rec. EBITDA/Revenues</i>	<i>18.6%</i>	<i>24.1%</i>	<i>-5.5 p.p.</i>	<i>19.2%</i>	<i>-0.6 p.p.</i>

*Operating revenue: Total revenues less re-invoicing of clients for services (gross margin in our numbers).

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	6.4	7.4	10.6	168.3		
Market Cap	121.6	At the date of this report				
Net financial debt	-1.1	Debt net of Cash (12m Results 2021)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.8%	4.3%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.2%	Kd = Cost of Net Debt * (1-T)			3.0%	3.4%
Risk free rate (rf)	2.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			6.5%	7.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	9.5%	Ke = Rf + (R * B)			8.3%	10.7%
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			8.3%	10.7%
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 Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
WPP-GB	WPP-GB	11,136.4	9.3	9.6%	6.3	5.8%	1.1	3.0%	17.9%	10.0%	21.8%
Publicis	PUB-FR	12,565.7	8.6	3.8%	5.8	2.4%	1.3	3.0%	22.4%	13.0%	2.0%
Omnicom	OMC-US	13,974.6	10.4	4.3%	7.7	1.9%	1.3	2.7%	16.7%	9.9%	8.2%
Interpublic	IPG-US	11,259.1	10.7	4.5%	7.9	4.0%	1.5	6.8%	18.6%	9.6%	6.8%
Media			9.8	5.6%	6.9	3.5%	1.3	3.9%	18.9%	10.6%	9.7%
FTI Consulting	FCN-US	6,232.5	26.8	n.a.	17.7	n.a.	2.2	n.a.	12.7%	n.a.	n.a.
Bluefocus Intelligent	300058-CN	2,193.4	19.6	15.2%	11.4	8.0%	0.3	15.6%	2.3%	1.5%	n.a.
Next Fifteen	NFC-GB	1,179.2	13.4	11.8%	7.8	10.7%	1.8	10.8%	23.2%	9.1%	12.5%
Hopsotch Group	HOP-FR	39.2	12.5	7.1%	3.6	3.3%	0.2	3.5%	6.8%	7.1%	46.4%
Communication Agencies			18.1	11.4%	10.1	7.3%	1.1	10.0%	11.3%	5.9%	29.5%
LLYC	LLYC-ES	121.6	14.5	16.2%	7.5	11.2%	1.4	9.0%	19.2%	4.9%	33.7%

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	20.9%	18.5	6.4x
Central	19.9%	17.7	6.7x
Min	18.9%	16.8	7.0x

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

Rec. FCF EUR Mn	CAPEX/Sales 23e				Rec. FCF/Yield 23e		
EBITDA 23e	1.2%	1.3%	1.4%		Scenario		
18.5	8.2	8.1	8.0	➔	Max	6.7%	6.6%
17.7	7.3	7.2	7.1		Central	6.0%	5.9%
16.8	6.4	6.3	6.2		Min	5.2%	5.1%

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e		
Intangible assets	1.8	1.8	10.5	10.2	12.7	12.7	12.7	12.7		
Fixed assets	3.6	3.3	1.4	2.4	2.3	2.2	2.1	2.1		
Other Non Current Assets	2.1	1.8	2.0	2.0	2.7	2.7	2.7	2.7		
Financial Investments	-	-	-	-	-	-	-	-		
Goodwill & Other Intangibles	2.8	3.3	2.9	3.4	15.3	15.3	15.3	15.3		
Current assets	11.6	14.4	16.4	13.3	22.1	24.7	26.7	29.3		
Total assets	22.0	24.6	33.2	31.2	55.1	57.6	59.5	62.1		
Equity	15.7	16.8	22.0	20.9	28.2	35.1	44.9	56.3		
Minority Interests	3.1	3.7	3.5	3.4	1.2	1.5	1.8	2.2		
Provisions & Other L/T Liabilities	0.6	0.6	0.0	0.1	0.0	0.0	0.0	0.0		
Other Non Current Liabilities	-	-	5.3	6.2	8.1	8.1	8.1	8.1		
Net financial debt	(5.7)	(4.6)	(7.3)	(8.1)	(1.1)	(5.6)	(12.7)	(23.4)		
Current Liabilities	8.3	8.1	9.6	8.7	18.8	18.5	17.4	18.9		
Equity & Total Liabilities	22.0	24.6	33.2	31.2	55.1	57.6	59.5	62.1		
										CAGR
P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Total Revenues	38.7	41.5	48.2	44.7	64.1	82.3	88.9	97.8	13.4%	15.1%
<i>Total Revenues growth</i>	12.5%	7.2%	16.0%	-7.2%	43.5%	28.2%	8.0%	10.0%		
COGS	(4.4)	(5.1)	(7.2)	(6.6)	(12.9)	(16.2)	(17.2)	(18.7)		
Gross Margin	34.4	36.5	40.9	38.1	51.2	66.0	71.7	79.1	10.5%	15.6%
<i>Gross Margin/Revenues</i>	88.7%	87.8%	85.0%	85.3%	79.9%	80.3%	80.7%	80.9%		
Personnel Expenses	(20.5)	(22.2)	(24.6)	(24.3)	(31.6)	(42.3)	(45.7)	(50.5)		
Other Operating Expenses	(5.7)	(6.0)	(6.2)	(5.4)	(7.0)	(7.9)	(8.3)	(9.0)		
Recurrent EBITDA	8.2	8.2	10.1	8.4	12.7	15.8	17.7	19.6	11.6%	15.5%
<i>Recurrent EBITDA growth</i>	46.5%	0.9%	22.6%	-16.4%	50.2%	24.7%	11.7%	10.8%		
<i>Rec. EBITDA/Revenues</i>	21.1%	19.9%	21.0%	18.9%	19.8%	19.2%	19.9%	20.0%		
Restructuring Expense & Other non-rec.	(0.2)	(0.5)	(0.0)	(0.3)	(1.5)	-	-	-		
EBITDA	8.0	7.8	10.1	8.1	11.2	15.8	17.7	19.6	8.9%	20.5%
Depreciation & Provisions	(1.5)	(1.7)	(0.8)	(1.0)	(1.2)	(1.3)	(1.2)	(1.2)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	(1.3)	(1.4)	(1.5)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)		
EBIT	5.1	4.7	7.8	5.8	8.5	13.0	14.9	16.8	13.3%	25.5%
<i>EBIT growth</i>	34.7%	-9.2%	66.5%	-25.3%	45.9%	53.4%	14.3%	12.8%		
<i>EBIT/Revenues</i>	13.3%	11.3%	16.2%	13.0%	13.2%	15.8%	16.7%	17.2%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.8)	(0.5)	(0.5)	(0.7)	(0.6)	(0.6)	(0.3)	0.0		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	4.4	4.2	7.3	5.1	7.9	12.5	14.6	16.8	16.0%	28.4%
<i>Ordinary Profit Growth</i>	11.5%	-3.7%	73.1%	-29.6%	54.4%	57.0%	16.8%	15.5%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	4.4	4.2	7.3	5.1	7.9	12.5	14.6	16.8	16.0%	28.4%
Tax Expense	(2.3)	(1.6)	(2.2)	(2.2)	(2.4)	(3.7)	(4.4)	(5.0)		
<i>Effective Tax Rate</i>	53.4%	37.3%	29.9%	42.5%	30.4%	30.0%	30.0%	30.0%		
Minority Interests	(0.6)	(0.9)	(0.9)	(0.7)	(0.2)	(0.3)	(0.4)	(0.4)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	1.5	1.8	4.3	2.3	5.3	8.4	9.8	11.4	37.6%	28.7%
<i>Net Profit growth</i>	-19.5%	20.0%	138.7%	-46.6%	134.6%	57.9%	16.8%	15.5%		
Ordinary Net Profit	2.7	2.4	4.3	3.1	6.4	8.4	9.8	11.4	24.6%	21.0%
<i>Ordinary Net Profit growth</i>	3.1%	-9.1%	76.8%	-26.9%	105.1%	31.2%	16.8%	15.5%		
										CAGR
Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						15.8	17.7	19.6	11.6%	15.5%
Rentals (IFRS 16 impact)						(1.5)	(1.5)	(1.5)		
Working Capital Increase						(2.9)	(3.1)	(1.1)		
Recurrent Operating Cash Flow						11.4	13.0	16.9	10.4%	10.8%
CAPEX						(1.2)	(1.2)	(1.3)		
Net Financial Result affecting the Cash Flow						(0.6)	(0.3)	0.0		
Tax Expense						(3.7)	(4.4)	(5.0)		
Recurrent Free Cash Flow						6.0	7.2	10.7	26.5%	6.3%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						6.0	7.2	10.7	-52.5%	47.0%
Capital Increase						-	-	-		
Dividends						(1.5)	-	-		
Net Debt Variation						(4.5)	(7.2)	(10.7)		

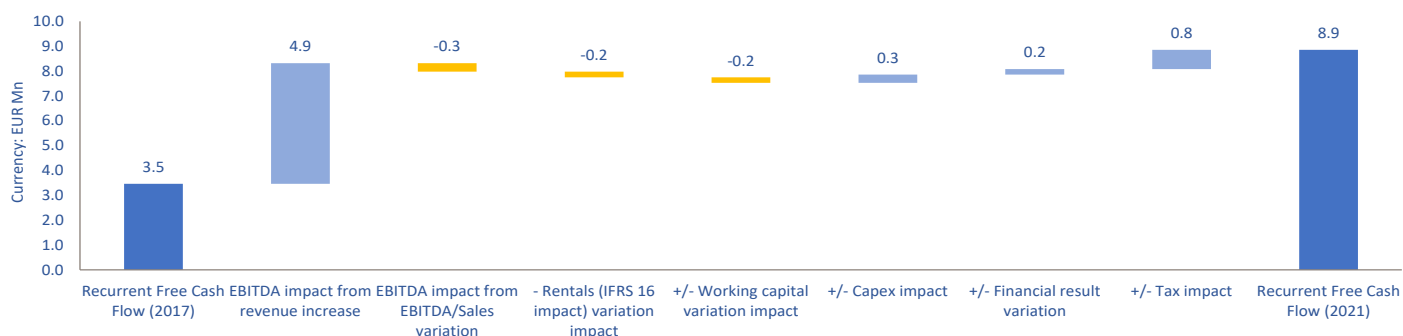
Note 1: Historical data adjusted for: (i) gross margin (not available for 2016) and (ii) IFRS 16 adjustments from FY17 in P&L (not adjusted in balance sheet: other non current liabilities).

Appendix 2. Free Cash Flow

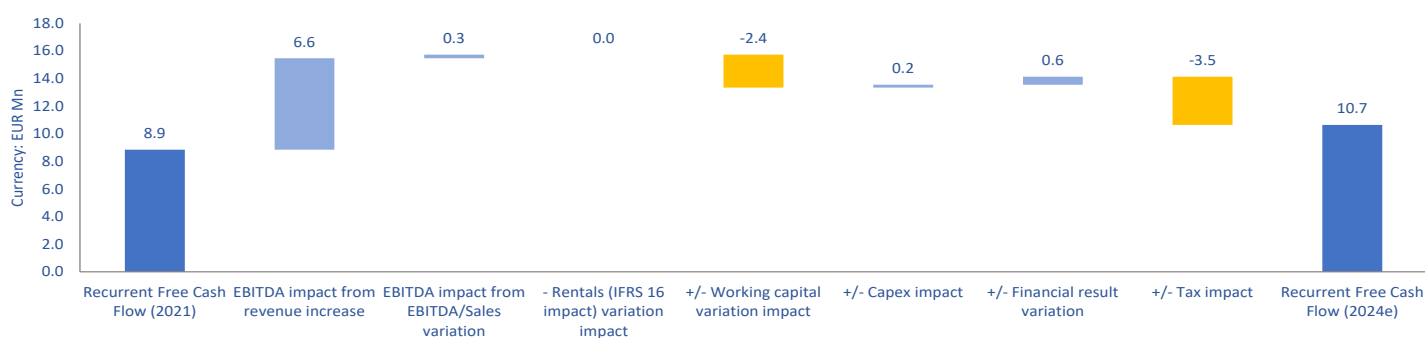
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	8.2	10.1	8.4	12.7	15.8	17.7	19.6	15.4%	15.5%
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	24.7%	11.7%	10.8%		
<i>Rec. EBITDA/Revenues</i>	19.9%	21.0%	18.9%	19.8%	19.2%	19.9%	20.0%		
- Rentals (IFRS 16 impact)	(1.4)	(1.5)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)		
+/- Working Capital increase	(2.9)	(0.6)	2.2	1.3	(2.9)	(3.1)	(1.1)		
= Recurrent Operating Cash Flow	3.9	8.0	9.3	12.4	11.4	13.0	16.9	47.4%	10.8%
<i>Rec. Operating Cash Flow growth</i>	-53.7%	106.6%	15.7%	34.1%	-8.3%	14.2%	30.0%		
<i>Rec. Operating Cash Flow / Sales</i>	9.4%	16.6%	20.8%	19.4%	13.9%	14.7%	17.3%		
- CAPEX	(1.4)	(0.5)	(3.2)	(1.5)	(1.2)	(1.2)	(1.3)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.5)	(0.7)	(0.6)	(0.6)	(0.3)	0.0		
- Taxes	(1.6)	(2.2)	(2.2)	(1.6)	(3.7)	(4.4)	(5.0)		
= Recurrent Free Cash Flow	0.5	4.8	3.2	8.9	6.0	7.2	10.7	<i>n.a.</i>	6.3%
<i>Rec. Free Cash Flow growth</i>	-86.6%	938.8%	-33.2%	174.4%	-32.7%	20.5%	48.3%		
<i>Rec. Free Cash Flow / Revenues</i>	1.1%	10.0%	7.2%	13.8%	7.2%	8.1%	10.9%		
- Restructuring expenses & others	(0.5)	(0.0)	(0.3)	(1.5)	-	-	-		
- Acquisitions / + Divestments	0.4	-	(2.2)	(16.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	0.4	4.8	0.7	(9.0)	6.0	7.2	10.7	<i>n.a.</i>	47.0%
<i>Free Cash Flow growth</i>	-84.6%	<i>n.a.</i>	-84.5%	<i>n.a.</i>	166.0%	20.5%	48.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	0.4%	4.0%	2.7%	7.3%	4.9%	5.9%	8.8%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.3%	3.9%	0.6%	<i>n.a.</i>	4.9%	5.9%	8.8%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2018	2019	2020	2021	2022e	2023e	2024e		
Recurrent FCF(FY - 1)	3.5	0.5	4.8	3.2	8.9	6.0	7.2		
EBITDA impact from revenue increase	0.6	1.3	(0.7)	3.7	3.6	1.3	1.8		
EBITDA impact from EBITDA/Sales variation	(0.5)	0.5	(0.9)	0.6	(0.5)	0.6	0.1		
= Recurrent EBITDA variation	0.1	1.9	(1.7)	4.2	3.1	1.9	1.9		
- Rentals (IFRS 16 impact) variation impact	(0.1)	(0.1)	0.2	(0.2)	-	-	-		
+/- Working capital variation impact	(4.5)	2.4	2.7	(0.9)	(4.2)	(0.2)	2.0		
= Recurrent Operating Cash Flow variation	(4.5)	4.1	1.3	3.2	(1.0)	1.6	3.9		
+/- CAPEX impact	0.4	0.9	(2.7)	1.7	0.3	(0.0)	(0.1)		
+/- Financial result variation	0.3	(0.0)	(0.2)	0.1	(0.0)	0.2	0.4		
+/- Tax impact	0.8	(0.6)	(0.0)	0.6	(2.2)	(0.6)	(0.7)		
= Recurrent Free Cash Flow variation	(3.0)	4.4	(1.6)	5.6	(2.9)	1.2	3.5		
Recurrent Free Cash Flow	0.5	4.8	3.2	8.9	6.0	7.2	10.7		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
EBIT	4.7	7.8	5.8	8.5	13.0	14.9	16.8	22.0%	25.5%
* <i>Theoretical Tax rate</i>	30.0%	29.9%	30.0%	30.0%	30.0%	30.0%	30.0%		
= Taxes (pre- Net Financial Result)	(1.4)	(2.3)	(1.7)	(2.5)	(3.9)	(4.5)	(5.0)		
Recurrent EBITDA	8.2	10.1	8.4	12.7	15.8	17.7	19.6	15.4%	15.5%
- Rentals (IFRS 16 impact)	(1.4)	(1.5)	(1.3)	(1.5)	(1.5)	(1.5)	(1.5)		
+/- Working Capital increase	(2.9)	(0.6)	2.2	1.3	(2.9)	(3.1)	(1.1)		
= Recurrent Operating Cash Flow	3.9	8.0	9.3	12.4	11.4	13.0	16.9	47.4%	10.8%
- CAPEX	(1.4)	(0.5)	(3.2)	(1.5)	(1.2)	(1.2)	(1.3)		
- Taxes (pre- Financial Result)	(1.4)	(2.3)	(1.7)	(2.5)	(3.9)	(4.5)	(5.0)		
= Recurrent Free Cash Flow (To the Firm)	1.1	5.2	4.3	8.4	6.4	7.4	10.6	97.4%	8.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-78.2%	372.3%	-15.9%	93.7%	-24.5%	16.7%	43.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.6%	10.7%	9.7%	13.1%	7.7%	8.3%	10.9%		
- Acquisitions / + Divestments	0.4	-	(2.2)	(16.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	1.5	5.2	2.2	(8.0)	6.4	7.4	10.6	-93.8%	49.4%
<i>Free Cash Flow (To the Firm) growth</i>	-66.0%	243.2%	-58.1%	-467.7%	179.8%	16.7%	43.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	0.9%	4.4%	3.7%	7.1%	5.4%	6.3%	9.0%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	1.3%	4.4%	1.8%	<i>n.a.</i>	5.4%	6.3%	9.0%		

Note 1: Historical data adjusted for: (i) gross margin (not available for 2016) and (ii) IFRS 16 adjustments from FY17 in P&L (not adjusted in balance sheet: other non current liabilities).

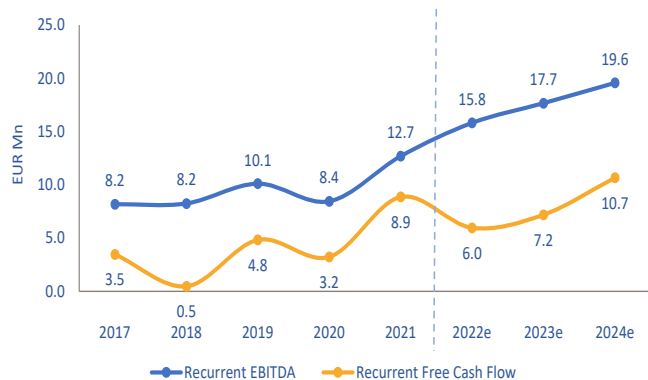
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



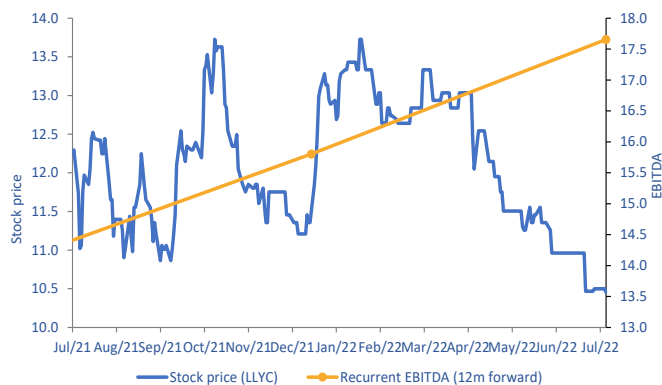
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



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	121.6	
+ Minority Interests	1.2	12m Results 2021
+ Provisions & Other L/T Liabilities	0.0	12m Results 2021
+ Net financial debt	(1.1)	12m Results 2021
- Financial Investments	-	12m Results 2021
+/- Others ⁽¹⁾	(3.5)	12m Results 2021
Enterprise Value (EV)	118.2	

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

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 11-21	21-24e
Total Revenues						34.4	38.7	41.5	48.2	44.7	64.1	82.3	88.9	97.8	<i>n.a.</i>	15.1%
Total Revenues growth						<i>n.a.</i>	12.5%	7.2%	16.0%	-7.2%	43.5%	28.2%	8.0%	10.0%		
EBITDA						5.2	8.0	7.8	10.1	8.1	11.2	15.8	17.7	19.6	<i>n.a.</i>	20.5%
EBITDA growth						<i>n.a.</i>	51.8%	-2.3%	29.5%	-19.1%	37.3%	41.5%	11.7%	10.8%		
EBITDA/Sales						15.2%	20.5%	18.7%	20.9%	18.2%	17.4%	19.2%	19.9%	20.0%		
Net Profit						1.8	1.5	1.8	4.3	2.3	5.3	8.4	9.8	11.4	<i>n.a.</i>	28.7%
Net Profit growth						<i>n.a.</i>	-19.5%	20.0%	138.7%	-46.6%	134.6%	57.9%	16.8%	15.5%		
Adjusted number shares (Mn)						10.6	10.6	10.6	10.6	10.6	11.6	11.6	11.6	11.6		
EPS (EUR)						0.17	0.14	0.17	0.40	0.21	0.46	0.72	0.84	0.98	<i>n.a.</i>	28.7%
EPS growth						<i>n.a.</i>	-19.5%	20.0%	<i>n.a.</i>	-46.6%	<i>n.a.</i>	57.9%	16.8%	15.5%		
Ord. EPS (EUR)						0.19	0.25	0.23	0.40	0.30	0.55	0.72	0.84	0.98	<i>n.a.</i>	21.0%
Ord. EPS growth						<i>n.a.</i>	30.6%	-9.1%	76.8%	-26.9%	86.3%	31.2%	16.8%	15.5%		
CAPEX						-	(1.8)	(1.4)	(0.5)	(3.2)	(1.5)	(1.2)	(1.2)	(1.3)		
CAPEX/Sales % ¹						0.0%	4.7%	3.3%	1.1%	7.1%	2.3%	1.4%	1.3%	1.3%		
Free Cash Flow						-	2.6	0.4	4.8	0.7	(9.0)	6.0	7.2	10.7	<i>n.a.</i>	47.0%
ND/EBITDA (x) ⁽²⁾						-0.9x	-0.7x	-0.6x	-0.7x	-1.0x	-0.1x	-0.4x	-0.7x	-1.2x		
P/E (x)						<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	24.8x	14.5x	12.4x	10.7x	
EV/Sales (x)						<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.44x	1.33x	1.21x		
EV/EBITDA (x) ⁽²⁾						<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	7.5x	6.7x	6.0x		
Absolute performance						<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	-8.0%				
Relative performance vs Ibex 35						<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.1%				

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 Facts et.

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

Appendix 5. Main peers 2022e

		Media					Communication Agencies					
	EUR Mn	WPP-GB	Publicis	Omnicom	Interpublic	Average	FTI Consulting	Bluefocus Intelligent	Next Fifteen	Hopscotch Group	Average	LLYC
Market data	Ticker (Factset)	WPP-GB	PUB-FR	OMC-US	IPG-US		FCN-US	300058-CN	NFC-GB	HOP-FR		LLYC-ES
	Country	UK	France	USA	USA		USA	China	UK	France		Spain
	Market cap	11,136.4	12,565.7	13,974.6	11,259.1		6,232.5	2,193.4	1,179.2	39.2		121.6
	Enterprise value (EV)	15,058.0	15,360.8	17,941.7	13,647.7		6,542.4	1,866.6	1,177.9	43.3		118.2
Basic financial information	Total Revenues	13,441.9	11,741.5	13,891.8	9,302.1		2,918.6	7,035.1	655.2	176.7		82.3
	Total Revenues growth	-10.4%	0.0%	-0.9%	-7.4%	-4.7%	7.1%	21.1%	18.9%	15.0%	15.5%	28.2%
	2y CAGR (2022e - 2024e)	3.0%	3.0%	2.7%	6.8%	3.9%	<i>n.a.</i>	15.6%	10.8%	3.5%	10.0%	9.0%
	EBITDA	2,402.1	2,631.9	2,325.6	1,728.1		370.5	164.2	151.7	12.1		15.8
	EBITDA growth	5.6%	11.1%	0.5%	1.8%	4.7%	5.7%	18.3%	48.1%	10.3%	20.6%	41.5%
	2y CAGR (2022e - 2024e)	5.8%	2.4%	1.9%	4.0%	3.5%	<i>n.a.</i>	8.0%	10.7%	3.3%	7.3%	11.2%
	EBITDA/Revenues	17.9%	22.4%	16.7%	18.6%	18.9%	12.7%	2.3%	23.2%	6.8%	11.3%	19.2%
	EBIT	2,003.7	1,984.8	2,129.4	1,464.0		325.4	138.0	131.2	6.6		13.0
	EBIT growth	18.1%	21.2%	1.1%	3.1%	10.9%	6.3%	37.2%	90.9%	-7.0%	31.8%	53.4%
	2y CAGR (2022e - 2024e)	5.5%	3.0%	1.8%	3.2%	3.4%	<i>n.a.</i>	14.9%	12.7%	5.9%	11.1%	13.5%
	EBIT/Revenues	14.9%	16.9%	15.3%	15.7%	15.7%	11.1%	2.0%	20.0%	3.7%	9.2%	15.8%
	Net Profit	1,260.0	1,295.1	1,366.6	1,027.5		239.9	109.5	53.3	3.1		8.4
	Net Profit growth	68.5%	26.1%	-1.1%	9.9%	25.9%	4.1%	44.6%	165.7%	-26.0%	47.1%	57.9%
	2y CAGR (2022e - 2024e)	7.1%	5.0%	0.7%	3.3%	4.0%	<i>n.a.</i>	16.1%	20.9%	6.3%	14.4%	16.2%
CAPEX/Sales %	3.6%	2.4%	0.7%	1.7%	2.1%	<i>n.a.</i>	0.2%	1.3%	0.3%	0.6%	1.4%	
Free Cash Flow	1,116.8	1,629.1	1,381.8	1,075.8		<i>n.a.</i>	32.8	107.1	2.8		6.0	
Net financial debt	2,232.9	203.8	862.9	(258.1)		<i>n.a.</i>	(332.5)	(55.4)	(5.8)		(5.6)	
ND/EBITDA (x)	0.9	0.1	0.4	<i>n.a.</i>	0.5	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	(0.4)	
Pay-out	41.8%	52.4%	44.9%	43.2%	45.6%	<i>n.a.</i>	12.4%	30.0%	0.0%	14.1%	17.7%	
Multiples and Ratios	P/E (x)	9.3	8.6	10.4	10.7	9.8	26.8	19.6	13.4	12.5	18.1	14.5
	P/BV (x)	2.9	1.3	4.5	3.0	2.9	<i>n.a.</i>	1.5	<i>n.a.</i>	2.2	1.8	3.5
	EV/Revenues (x)	1.1	1.3	1.3	1.5	1.3	2.2	0.3	1.8	0.2	1.1	1.4
	EV/EBITDA (x)	6.3	5.8	7.7	7.9	6.9	17.7	11.4	7.8	3.6	10.1	7.5
	EV/EBIT (x)	7.5	7.7	8.4	9.3	8.3	20.1	13.5	9.0	6.6	12.3	9.1
	ROE	31.1	15.5	43.4	28.1	29.5	<i>n.a.</i>	7.5	<i>n.a.</i>	17.7	12.6	26.6
	FCF Yield (%)	10.0	13.0	9.9	9.6	10.6	<i>n.a.</i>	1.5	9.1	7.1	5.9	4.9
	DPS	0.44	2.73	2.86	1.13	1.79	<i>n.a.</i>	0.01	0.17	0.00	0.06	0.13
Dvd Yield	4.3%	5.5%	4.2%	3.9%	4.5%	<i>n.a.</i>	0.6%	1.4%	0.0%	0.7%	1.2%	

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
22-Jul-2022	n.a.	10.45	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.84	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.74	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.36	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

