

6m Results 2022

Opinion (1): In line

Impact (1): We will maintain our estimates

Luis Esteban Arribas – luis.esteban@lighthouse-ieaf.com

+34 915 904 226

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 (45% of 2020 revenue) and in Latam (c. 55% of revenue).

## 1H22 Results. Strong revenue growth confirmed (driven by M&A)

Market Data

Market Cap (Mn EUR and USD)	119.9	119.8
EV (Mn EUR and USD) (2)	117.0	116.9
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Mín EUR)	13.73 / 11.91 / 10.30	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation(3)	4.1	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

LLYC CONFIRMS PRELIMINARY 1H22 RESULTS ANNOUNCED IN JULY. We highlight: (i) Strong revenue growth (+69.7% vs 1H21) with M&A contributing 46.3% of the total and organic growth continuing to increase (+23.4% vs 1H21) and favoured by the dollar/euro exchange rate, (ii) a Rec. EBITDA margin of 17.9% (-4.8p.p. vs 1H21) due to the absorption of the 3 acquisitions made in 2021 that allowed LLYC to consolidate 1H22 EBITDA of EUR 7.8Mn (vs EUR 5.8Mn in 1H21) and (iii) net cash maintained at EUR 0.3Mn. Our estimates envisage 2022e EBITDA of EUR 15.8Mn (Rec. EBITDA margin 19.2%).

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

OUR CENTRAL SCENARIO IS UNCHANGED... For several reasons: i) the growth seen in 1H22 results, ii) business diversification (both by geography, with 45% of revenue coming from Europe and 55% from the US and Latam, and by business unit; Public Affairs, Consultancy and the Deep Digital Business) and (iii) the company's leadership of the sector (with the ability to pass on the effect of cost inflation to prices).

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº 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	9.3	17.5	15.5
Net Profit	5.3	8.4	9.7	11.2
EPS (EUR)	0.46	0.72	0.83	0.96
% growth	113.1	57.0	16.0	15.1
Ord. EPS (EUR)	0.55	0.72	0.83	0.96
% growth	86.3	30.4	16.0	15.1
Rec. Free Cash Flow(5)	8.9	2.4	7.1	10.5
Pay-out (%)	0.0	17.8	20.0	20.0
DPS (EUR)	0.00	0.13	0.17	0.19
Net financial debt	-1.1	-2.0	-7.1	-15.3
ND/Rec. EBITDA (x)	-0.1	-0.1	-0.4	-0.8
ROE (%)	21.7	26.5	24.9	23.6
ROCE (%) (5)	26.6	29.0	28.9	30.8

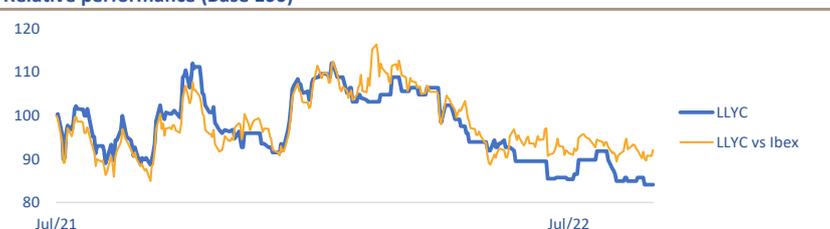
... WITH EBITDA GROWTH >10% FOR 2023E AND FOLLOWING YEARS. Our estimates include high single digit organic growth in 2023e (+8% vs 2022e) with which LLYC would aspire to revenue of c. EUR 89Mn with the strategic goal of achieving an EBITDA margin of c. 20%, for which wages and salaries (50% of revenue) are critical. Accordingly, LLYC aspires to Rec. EBITDA in 2023e of c. EUR 17.7Mn with a business model (capital light) that allows it to generate 2023e FCF of EUR 7.2Mn (yield 5.9%), and continue the strategy of inorganic growth.

IN CONCLUSION: A BUSINESS WITH PROVEN ABILITY TO GROW: 1H22 results confirm our estimates for 2022e and LLYC's equity story as an idea of defensiveness not exempt from growth even in adverse macro scenarios. This is something the market seems to be overlooking. The share price performance YTD (-9.3%) makes the LLYC investment idea even more attractive. Today it would be trading at ratios of 7.4x EV/EBITDA and PER of 12.3x (below its Communication Agency peers at 9.3x EV/EBITDA and PER of 15.6x).

Ratios & Multiples (x) (6)

P/E	22.5	14.3	12.4	10.7
Ord. P/E	18.7	14.3	12.4	10.7
P/BV	4.3	3.4	2.8	2.3
Dividend Yield (%)	0.0	1.2	1.6	1.9
EV/Sales	1.82	1.42	1.32	1.20
EV/Rec. EBITDA	9.2	7.4	6.6	6.0
EV/EBIT	13.8	9.0	7.9	7.0
FCF Yield (%) (5)	7.4	2.0	5.9	8.7

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-6.4	-6.0	-5.2	-9.3	n.a.	n.a.
vs Ibex 35	-0.8	-1.1	4.2	0.4	n.a.	n.a.
vs Ibex Small Cap Index	-0.1	8.2	7.7	3.7	n.a.	n.a.
vs Eurostoxx 50	0.7	-6.0	10.6	12.4	n.a.	n.a.
vs Sector benchmark(4)	3.1	-7.3	10.0	11.0	n.a.	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Media.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

(7) Others: Treasury stock 2.9%, 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.

## 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 Results 2022**
**Table 1. 1H22 Results**

EUR Mn	1H22 Real	1H21	1H22 Real vs		2022e vs	
			1H21	2022e	2021	
<b>Total Revenues</b>	<b>43.6</b>	<b>25.7</b>	<b>69.7%</b>	<b>82.3</b>	<b>28.2%</b>	
<b>Operating revenues*</b>	<b>35.6</b>	<b>23.2</b>	<b>53.3%</b>	<b>66.0</b>	<b>28.9%</b>	
<i>Gross Margin/Revenues</i>	<i>81.6%</i>	<i>90.3%</i>	<i>-8.8 p.p.</i>	<i>80.3%</i>	<i>0.4 p.p.</i>	
<b>Recurrent EBITDA</b>	<b>8.1</b>	<b>6.2</b>	<b>30.1%</b>	<b>15.8</b>	<b>24.7%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>18.6%</i>	<i>24.2%</i>	<i>-5.7 p.p.</i>	<i>19.2%</i>	<i>-0.6 p.p.</i>	
<b>EBITDA</b>	<b>7.8</b>	<b>5.8</b>	<b>33.7%</b>	<b>15.8</b>	<b>41.5%</b>	
<i>EBITDA/Revenues</i>	<i>17.9%</i>	<i>22.7%</i>	<i>-4.8 p.p.</i>	<i>19.2%</i>	<i>1.8 p.p.</i>	
<b>EBIT</b>	<b>6.1</b>	<b>4.6</b>	<b>31.7%</b>	<b>13.0</b>	<b>53.4%</b>	
<b>NP</b>	<b>3.8</b>	<b>3.1</b>	<b>25.1%</b>	<b>8.4</b>	<b>57.0%</b>	
Net Debt/Net Cash <sup>1</sup>	-0.3	0.1	n.a.	-2.0	-81.0%	

\*Operating revenues: Total revenues less re-invoicing of client services (gross margin in our numbers).

Note 1: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 7.9Mn and EUR 5.4Mn in 1H22 and 1H21, respectively).

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	2.8	7.4	10.6	155.3		
Market Cap	119.9	At the date of this report				
Net financial debt	-0.3	Debt net of Cash (6m Results 2022)				
					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)	3.1%	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	10.1%	Ke = Rf + (R * B)			8.9%	11.3%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	10.1%	WACC = Kd * D + Ke * E			8.9%	11.3%
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	9,637.0	8.2	8.5%	6.7	3.7%	1.2	2.7%	18.1%	10.4%	22.1%
Publicis	PUB-FR	12,773.8	8.5	3.9%	5.8	2.1%	1.3	2.9%	22.5%	12.3%	5.3%
Omnicom	OMC-US	13,406.1	9.8	3.5%	7.4	1.4%	1.2	2.3%	16.8%	10.2%	7.8%
Interpublic	IPG-US	10,516.6	9.9	3.8%	7.5	3.2%	1.4	5.1%	18.6%	9.2%	11.7%
<b>Media</b>			<b>9.1</b>	<b>4.9%</b>	<b>6.8</b>	<b>2.6%</b>	<b>1.3</b>	<b>3.2%</b>	<b>19.0%</b>	<b>10.5%</b>	<b>11.7%</b>
FTI Consulting	FCN-US	5,426.0	23.2	n.a.	15.6	n.a.	1.9	n.a.	12.3%	n.a.	n.a.
Bluefocus Intelligent	300058-CN	1,888.4	20.8	27.1%	12.6	24.7%	0.2	15.0%	2.0%	2.8%	68.6%
Next Fifteen	NFC-GB	946.0	11.0	11.8%	6.4	10.7%	1.5	10.8%	23.2%	11.0%	12.5%
Hopscotch Group	HOP-FR	41.0	7.2	-6.5%	2.8	-2.5%	0.2	1.5%	7.5%	6.8%	46.4%
<b>Communication Agencies</b>			<b>15.6</b>	<b>10.8%</b>	<b>9.3</b>	<b>11.0%</b>	<b>1.0</b>	<b>9.1%</b>	<b>11.2%</b>	<b>6.9%</b>	<b>42.5%</b>
LLYC	LLYC-ES	119.9	14.3	15.5%	7.4	11.2%	1.4	9.0%	19.2%	2.0%	n.a.

### 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	6.3x
Central	19.9%	17.7	6.6x
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			Scenario	Rec. FCF/Yield 23e		
EBITDA 23e	1.2%	1.3%	1.4%		Max	Central	Min
18.5	8.0	7.9	7.9	Max	6.7%	6.6%	6.6%
17.7	7.1	7.1	7.0	Central	6.0%	5.9%	5.8%
16.8	6.3	6.2	6.1	Min	5.2%	5.1%	5.1%

## Appendix 1. Financial Projections

<b>Balance Sheet (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>		
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	28.2	30.2	32.9		
<b>Total assets</b>	<b>22.0</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>61.1</b>	<b>63.0</b>	<b>65.7</b>		
Equity	15.7	16.8	22.0	20.9	28.2	35.1	42.8	51.8		
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)	(2.0)	(7.1)	(15.3)		
Current Liabilities	8.3	8.1	9.6	8.7	18.8	18.5	17.4	18.9		
<b>Equity &amp; Total Liabilities</b>	<b>22.0</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>61.1</b>	<b>63.0</b>	<b>65.7</b>		
										<b>CAGR</b>
<b>P&amp;L (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>17-21</b>	<b>21-24e</b>
<b>Total Revenues</b>	<b>38.7</b>	<b>41.5</b>	<b>48.2</b>	<b>44.7</b>	<b>64.1</b>	<b>82.3</b>	<b>88.9</b>	<b>97.8</b>	<b>13.4%</b>	<b>15.1%</b>
<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)		
<b>Gross Margin</b>	<b>34.4</b>	<b>36.5</b>	<b>40.9</b>	<b>38.1</b>	<b>51.2</b>	<b>66.0</b>	<b>71.7</b>	<b>79.1</b>	<b>10.5%</b>	<b>15.6%</b>
<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)		
<b>Recurrent EBITDA</b>	<b>8.2</b>	<b>8.2</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.8</b>	<b>17.7</b>	<b>19.6</b>	<b>11.6%</b>	<b>15.5%</b>
<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)	-	-	-		
<b>EBITDA</b>	<b>8.0</b>	<b>7.8</b>	<b>10.1</b>	<b>8.1</b>	<b>11.2</b>	<b>15.8</b>	<b>17.7</b>	<b>19.6</b>	<b>8.9%</b>	<b>20.5%</b>
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)		
<b>EBIT</b>	<b>5.1</b>	<b>4.7</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>13.0</b>	<b>14.9</b>	<b>16.8</b>	<b>13.3%</b>	<b>25.5%</b>
<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)	(0.5)	(0.2)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>4.4</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>12.4</b>	<b>14.4</b>	<b>16.5</b>	<b>16.0%</b>	<b>27.7%</b>
<i>Ordinary Profit Growth</i>	11.5%	-3.7%	73.1%	-29.6%	54.4%	56.1%	16.0%	15.1%		
Extraordinary Results	-	-	-	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>4.4</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>12.4</b>	<b>14.4</b>	<b>16.5</b>	<b>16.0%</b>	<b>27.7%</b>
Tax Expense	(2.3)	(1.6)	(2.2)	(2.2)	(2.4)	(3.7)	(4.3)	(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	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>1.5</b>	<b>1.8</b>	<b>4.3</b>	<b>2.3</b>	<b>5.3</b>	<b>8.4</b>	<b>9.7</b>	<b>11.2</b>	<b>37.6%</b>	<b>28.0%</b>
<i>Net Profit growth</i>	-19.5%	20.0%	138.7%	-46.6%	134.6%	57.0%	16.0%	15.1%		
<b>Ordinary Net Profit</b>	<b>2.7</b>	<b>2.4</b>	<b>4.3</b>	<b>3.1</b>	<b>6.4</b>	<b>8.4</b>	<b>9.7</b>	<b>11.2</b>	<b>24.6%</b>	<b>20.3%</b>
<i>Ordinary Net Profit growth</i>	3.1%	-9.1%	76.8%	-26.9%	105.1%	30.4%	16.0%	15.1%		
										<b>CAGR</b>
<b>Cash Flow (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>17-21</b>	<b>21-24e</b>
<b>Recurrent EBITDA</b>						<b>15.8</b>	<b>17.7</b>	<b>19.6</b>	<b>11.6%</b>	<b>15.5%</b>
Rentals (IFRS 16 impact)						(1.5)	(1.5)	(1.5)		
Working Capital Increase						(6.4)	(3.1)	(1.1)		
<b>Recurrent Operating Cash Flow</b>						<b>7.9</b>	<b>13.0</b>	<b>16.9</b>	<b>10.4%</b>	<b>10.8%</b>
CAPEX						(1.2)	(1.2)	(1.3)		
Net Financial Result affecting the Cash Flow						(0.6)	(0.5)	(0.2)		
Tax Expense						(3.7)	(4.3)	(5.0)		
<b>Recurrent Free Cash Flow</b>						<b>2.4</b>	<b>7.1</b>	<b>10.5</b>	<b>26.5%</b>	<b>5.7%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>2.4</b>	<b>7.1</b>	<b>10.5</b>	<b>-52.5%</b>	<b>46.7%</b>
Capital Increase						-	-	-		
Dividends						(1.5)	(1.9)	(2.2)		
<b>Net Debt Variation</b>						<b>(0.9)</b>	<b>(5.1)</b>	<b>(8.2)</b>		

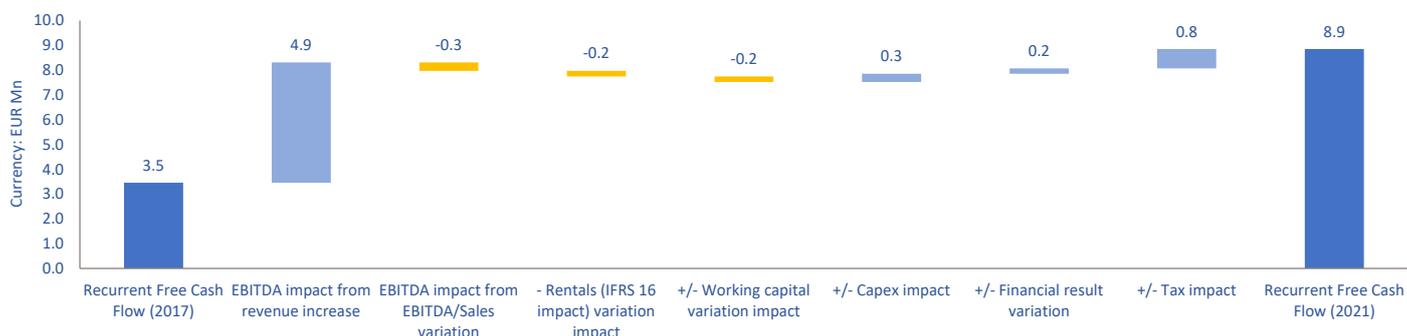
Note 1: Historical data adjusted for: (i) gross margin (not available for 2016) and (ii) IFRS 16 adjustments from FY17 in P&L (not adjusted in balance sheet: other non current liabilities).

## Appendix 2. Free Cash Flow

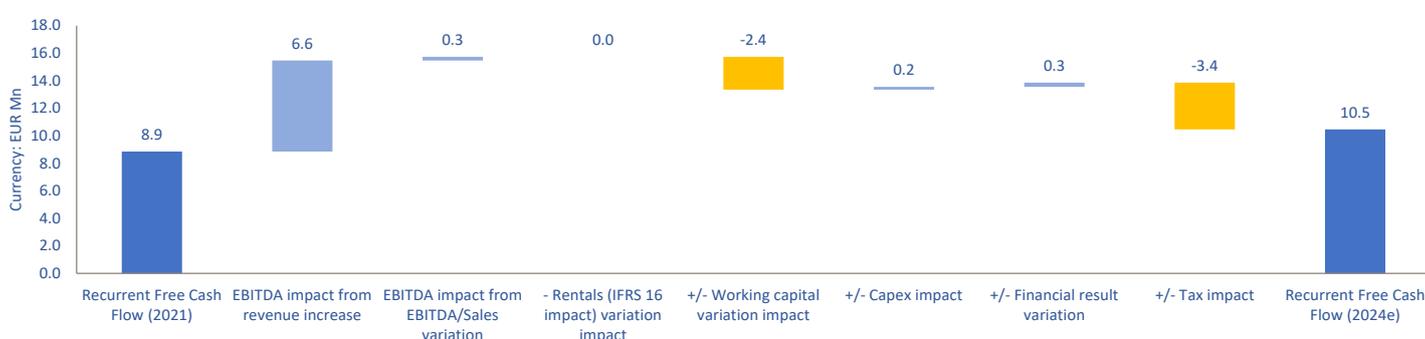
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
<b>Recurrent EBITDA</b>	<b>8.2</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.8</b>	<b>17.7</b>	<b>19.6</b>	<b>15.4%</b>	<b>15.5%</b>
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	24.7%	11.7%	10.8%		
<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	(6.4)	(3.1)	(1.1)		
<b>= Recurrent Operating Cash Flow</b>	<b>3.9</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>7.9</b>	<b>13.0</b>	<b>16.9</b>	<b>47.4%</b>	<b>10.8%</b>
<i>Rec. Operating Cash Flow growth</i>	-53.7%	106.6%	15.7%	34.1%	-36.7%	65.4%	30.0%		
<i>Rec. Operating Cash Flow / Sales</i>	9.4%	16.6%	20.8%	19.4%	9.6%	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)	(0.5)	(0.2)		
- Taxes	(1.6)	(2.2)	(2.2)	(1.6)	(3.7)	(4.3)	(5.0)		
<b>= Recurrent Free Cash Flow</b>	<b>0.5</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>2.4</b>	<b>7.1</b>	<b>10.5</b>	<i>n.a.</i>	<b>5.7%</b>
<i>Rec. Free Cash Flow growth</i>	-86.6%	938.8%	-33.2%	174.4%	-73.1%	196.4%	48.3%		
<i>Rec. Free Cash Flow / Revenues</i>	1.1%	10.0%	7.2%	13.8%	2.9%	7.9%	10.7%		
- 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	-	-	-	-	-	-	-		
<b>= Free Cash Flow</b>	<b>0.4</b>	<b>4.8</b>	<b>0.7</b>	<b>(9.0)</b>	<b>2.4</b>	<b>7.1</b>	<b>10.5</b>	<i>n.a.</i>	<b>46.7%</b>
<i>Free Cash Flow growth</i>	-84.6%	<i>n.a.</i>	-84.5%	<i>n.a.</i>	126.4%	196.4%	48.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	0.4%	4.0%	2.7%	7.4%	2.0%	5.9%	8.7%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.3%	4.0%	0.6%	<i>n.a.</i>	2.0%	5.9%	8.7%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
	2018	2019	2020	2021	2022e	2023e	2024e		
<b>Recurrent FCF(FY - 1)</b>	<b>3.5</b>	<b>0.5</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>2.4</b>	<b>7.1</b>		
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		
<b>= Recurrent EBITDA variation</b>	<b>0.1</b>	<b>1.9</b>	<b>(1.7)</b>	<b>4.2</b>	<b>3.1</b>	<b>1.9</b>	<b>1.9</b>		
- 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)	(7.7)	3.3	2.0		
<b>= Recurrent Operating Cash Flow variation</b>	<b>(4.5)</b>	<b>4.1</b>	<b>1.3</b>	<b>3.2</b>	<b>(4.6)</b>	<b>5.2</b>	<b>3.9</b>		
+/- 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	(0.1)	0.1	0.3		
+/- Tax impact	0.8	(0.6)	(0.0)	0.6	(2.2)	(0.6)	(0.7)		
<b>= Recurrent Free Cash Flow variation</b>	<b>(3.0)</b>	<b>4.4</b>	<b>(1.6)</b>	<b>5.6</b>	<b>(6.5)</b>	<b>4.7</b>	<b>3.4</b>		
<b>Recurrent Free Cash Flow</b>	<b>0.5</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>2.4</b>	<b>7.1</b>	<b>10.5</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
<b>EBIT</b>	<b>4.7</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>13.0</b>	<b>14.9</b>	<b>16.8</b>	<b>22.0%</b>	<b>25.5%</b>
* <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)		
<b>Recurrent EBITDA</b>	<b>8.2</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.8</b>	<b>17.7</b>	<b>19.6</b>	<b>15.4%</b>	<b>15.5%</b>
- 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	(6.4)	(3.1)	(1.1)		
<b>= Recurrent Operating Cash Flow</b>	<b>3.9</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>7.9</b>	<b>13.0</b>	<b>16.9</b>	<b>47.4%</b>	<b>10.8%</b>
- 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)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>1.1</b>	<b>5.2</b>	<b>4.3</b>	<b>8.4</b>	<b>2.8</b>	<b>7.4</b>	<b>10.6</b>	<b>97.4%</b>	<b>8.1%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-78.2%	372.3%	-15.9%	93.7%	-66.5%	162.7%	43.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.6%	10.7%	9.7%	13.1%	3.4%	8.3%	10.9%		
- Acquisitions / + Divestments	0.4	-	(2.2)	(16.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>1.5</b>	<b>5.2</b>	<b>2.2</b>	<b>(8.0)</b>	<b>2.8</b>	<b>7.4</b>	<b>10.6</b>	<b>-93.8%</b>	<b>49.4%</b>
<i>Free Cash Flow (To the Firm) growth</i>	-66.0%	243.2%	-58.1%	-467.7%	135.5%	162.7%	43.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	0.9%	4.4%	3.7%	7.2%	2.4%	6.3%	9.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	1.3%	4.4%	1.9%	<i>n.a.</i>	2.4%	6.3%	9.1%		

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)



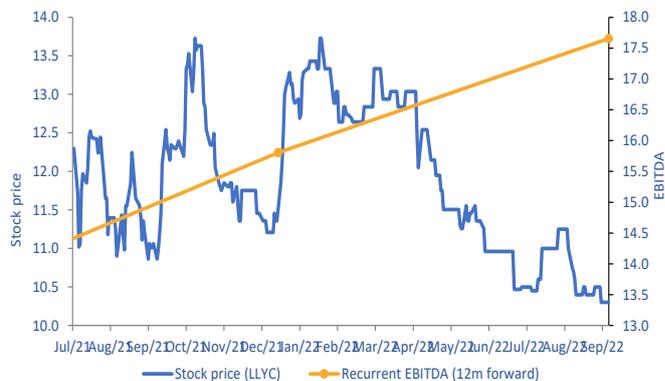
### Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



### 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	119.9	
+ Minority Interests	0.9	6m Results 2022
+ Provisions & Other L/T Liabilities	0.0	6m Results 2022
+ Net financial debt	(0.3)	6m Results 2022
- Financial Investments	-	6m Results 2022
+/- Others <sup>(1)</sup>	(3.5)	6m Results 2022
<b>Enterprise Value (EV)</b>	<b>117.0</b>	

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

## Appendix 4. 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	9,637.0	12,773.8	13,406.1	10,516.6		5,426.0	1,888.4	946.0	41.0		119.9
	Enterprise value (EV)	16,144.8	15,566.7	17,513.3	13,272.5		5,736.1	1,525.6	944.7	45.0		117.0
Basic financial information	Total Revenues	13,313.6	11,971.8	14,125.4	9,522.7		3,004.9	6,180.9	638.2	211.3		82.3
	Total Revenues growth	-8.9%	2.0%	-1.2%	-7.1%	-3.8%	8.2%	n.a.	18.9%	37.5%	21.5%	28.2%
	2y CAGR (2022e - 2024e)	2.7%	2.9%	2.3%	5.1%	3.2%	n.a.	15.0%	10.8%	1.5%	9.1%	9.0%
	EBITDA	2,407.1	2,691.7	2,372.0	1,774.4		368.8	120.9	147.8	15.9		15.8
	EBITDA growth	8.6%	13.6%	0.5%	2.5%	6.3%	3.2%	n.a.	48.1%	44.7%	32.0%	41.5%
	2y CAGR (2022e - 2024e)	3.7%	2.1%	1.4%	3.2%	2.6%	n.a.	24.7%	10.7%	-2.5%	11.0%	11.2%
	EBITDA/Revenues	18.1%	22.5%	16.8%	18.6%	19.0%	12.3%	2.0%	23.2%	7.5%	11.2%	19.2%
	EBIT	1,976.2	2,055.3	2,177.6	1,502.9		321.5	106.2	127.8	6.6		13.0
	EBIT growth	19.6%	25.6%	1.3%	3.8%	12.6%	3.0%	n.a.	90.9%	-7.0%	28.9%	53.4%
	2y CAGR (2022e - 2024e)	4.5%	2.8%	1.2%	2.4%	2.7%	n.a.	24.8%	12.7%	5.9%	14.5%	13.5%
	EBIT/Revenues	14.8%	17.2%	15.4%	15.8%	15.8%	10.7%	1.7%	20.0%	3.1%	8.9%	15.8%
	Net Profit	1,233.8	1,375.6	1,397.7	1,052.4		242.0	81.7	51.9	5.5		8.4
	Net Profit growth	69.4%	33.9%	-0.8%	10.4%	28.2%	2.9%	9.7%	165.7%	31.5%	52.5%	57.0%
	2y CAGR (2022e - 2024e)	5.7%	4.6%	0.2%	2.9%	3.3%	n.a.	27.0%	20.9%	-6.5%	13.8%	15.5%
CAPEX/Sales %	3.5%	2.3%	0.8%	2.0%	2.1%	n.a.	0.3%	1.3%	0.2%	0.6%	1.4%	
Free Cash Flow	999.4	1,566.7	1,368.9	965.6		n.a.	51.9	104.3	2.8		2.4	
Net financial debt	2,026.3	435.1	984.2	118.7		n.a.	(114.6)	(54.0)	(8.5)		(2.0)	
ND/EBITDA (x)	0.8	0.2	0.4	0.1	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	(0.1)	
Pay-out	42.3%	49.8%	45.0%	42.8%	45.0%	n.a.	9.5%	30.0%	0.0%	13.2%	17.8%	
Multiples and Ratios	P/E (x)	8.2	8.5	9.8	9.9	9.1	23.2	20.8	11.0	7.2	15.6	14.3
	P/BV (x)	2.5	1.4	4.1	2.8	2.7	n.a.	1.3	n.a.	2.3	1.8	3.4
	EV/Revenues (x)	1.2	1.3	1.2	1.4	1.3	1.9	0.2	1.5	0.2	1.0	1.4
	EV/EBITDA (x)	6.7	5.8	7.4	7.5	6.8	15.6	12.6	6.4	2.8	9.3	7.4
	EV/EBIT (x)	8.2	7.6	8.0	8.8	8.2	17.8	14.4	7.4	6.8	11.6	9.0
	ROE	30.2	15.9	41.9	27.8	29.0	n.a.	6.0	n.a.	31.7	18.9	26.5
	FCF Yield (%)	10.4	12.3	10.2	9.2	10.5	n.a.	2.8	11.0	6.8	6.9	2.0
	DPS	0.44	2.75	2.94	1.14	1.82	n.a.	0.00	0.17	0.00	0.06	0.13
Dvd Yield	4.9%	5.5%	4.5%	4.3%	4.8%	n.a.	0.4%	1.8%	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
21-Sep-2022	n.a.	10.30	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
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

