

Company Flash Note

Reason: Company results (post view)

28 September 2022

Buy

Recommendation unchanged

Share price: EUR 8.18

closing price as of 27/09/2022

Target price: EUR 9.70

Target Price unchanged

Upside/Downside Potential 18.6%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 191

Current N° of shares (m) 23

Free float 23%

Daily avg. no. trad. sh. 12 mth (k) 10

Daily avg. trad. vol. 12 mth (k) 29.28

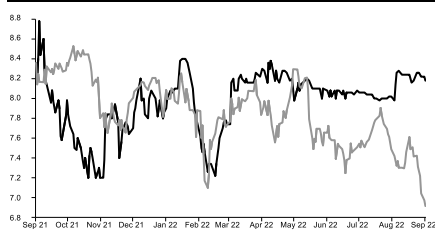
Price high/low 12 months 8.78 / 7.18

Abs Perfs 1/3/12 mths (%) 2.00/1.24/-2.15

Key financials (EUR)	12/21	12/22e	12/23e
Sales (m)	65	95	126
EBITDA (m)	7	10	14
EBITDA margin	11.2%	10.9%	11.0%
EBIT (m)	2	3	6
EBIT margin	2.6%	3.6%	4.4%
Net Profit (adj.)(m)	0	1	3
ROCE	3.2%	5.2%	6.9%
Net debt/(cash) (m)	14	22	31
Net Debt Equity	0.4	0.7	0.9
Net Debt/EBITDA	2.0	2.2	2.2
Int. cover(EBITDA/Fin.int)	8.5	8.6	9.5
EV/Sales	3.0	2.2	1.7
EV/EBITDA	26.9	20.2	15.6
EV/EBITDA (adj.)	26.9	20.2	15.6
EV/EBIT	nm	61.0	39.3
P/E (adj.)	nm	nm	nm
P/BV	5.8	6.1	5.6
OpFCF yield	0.4%	3.0%	4.5%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.02	0.06	0.12
BVPS	1.37	1.35	1.47
DPS	0.00	0.00	0.00

Shareholders

Laren Capital, S.L.U. 59%; Management Team 15%;
Santander AM 2%;



Source: FactSet

— IZERTIS — IBEX 35 (Rebased)

Analyst(s)

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1H22 results: organic growth and better margin

Izertis presented 1H22 results this morning in which we can observe strong growth in revenues and EBITDA, and more importantly, a strong growth in margin up to 12.9% setting a new high, much higher than our full year forecast of 11.2%, and the Company's strategic plan projection (c.10%). Due to the numerous acquisitions during the year, net debt has reached EUR31m (3.3x ND/EBITDA).

- ✓ **Reported revenues** rise +31% with all business lines growing above 10%. Organic growth reached +12%, according our calculations, above our estimated c.+10%. The higher added value business lines represent over 70% of sales. Growth in the lower added value business lines stand out following the recent restructuring.
- ✓ **Gross margin** also grows strongly, up to 80.4% (+7.5pp vs. 1H21) demonstrating the Company's capacity to grow in more profitable and added value businesses.
- ✓ Regarding the **normalised EBITDA** (excluding extraordinary), growth is very noteworthy at both the reported level (+68%) and organic level (+34%, according our estimates). On the subject of the margin, it reached 12.9% at 1H22, 12% excluding the acquisitions realised in 2022, which has two very relevant consequences: on one hand, at the **organic** level activity is increasingly generating a **higher margin**; and on the other, acquisitions made have strengthened this growth contributing incremental margins, which would be reflected in a **wider margin in the future**.
- ✓ **Net profit** reached EUR0.5m, also improving the margin over revenues, demonstrating the Company's capacity to generate earnings despite the strong growth observed.
- ✓ **Net debt** comes to EUR31m (3.3x ND/EBITDA) due to the strong rhythm in acquisitions undertaken by the Company. According to our estimates we estimate a ratio of 2.5 – 3x ND/EBITDA for 2022. Short term maturities come to EUR18m, for which the Company has EUR27m in cash and equivalents, apart from undrawn credit lines.
- ✓ These results show **business strength** and continued organic and inorganic growth that reinforce the investment case. Full year 2022 results are very promising and point to **EBITDA above our estimates** and slightly below in terms of revenues. However, **net debt would also be higher** than estimated thus an improved valuation would not be very high.
- ✓ We maintain our **positive outlook** on Izertis and consider it a stock to be held in the portfolio within the current context. The growth outlook is very high and business profitability continues to grow even within the currently negative context. **Buy recommendation reiterated**.

1H22 results

IZERTIS. POST-H1'22 RESULTS.

EURm	H1'21	H1'22	Δ% y/y
Total income	31.71	41.44	30.7%
Digital Transformation	13.47	18.14	34.7%
Technological Infrastructures & Services	7.76	10.96	41.2%
Business Operations	5.11	6.09	19.1%
Business Solutions	3.86	4.55	17.8%
Others	0.07	0.97	1216.2%
Other income (non operative)	1.44	0.74	-48.9%
Supplies	-8.61	-8.13	-5.6%
Gross margin	23.10	33.31	44.2%
<i>% gross margin</i>	<i>72.8%</i>	<i>80.4%</i>	<i>7.5pp</i>
Personnel costs	-18.41	-25.97	41.1%
Other general costs	-2.00	-2.37	18.4%
Other results	0.05	-0.05	-192.7%
Impairment & Results of sale of assets	0.00	0.00	n.a
EBITDA	2.75	4.93	79.2%
other non recurrent costs	0.31	0.21	-33.6%
Normalized EBITDA	3.06	5.14	67.7%
Normalized EBITDA mg (%)	10.1%	12.9%	2.8pp
EBIT	0.52	1.48	184.4%
Net income	0.07	0.48	548.6%

Source: Izertis & GVC Gaesco Valores

Organic/inorganic growth analysis

Based on the information reported by the Company at the time of acquisition and our main estimates, organic growth would be as follows:

IZERTIS. POST-H1'22 RESULTS. Organic & Inorganic

EURm	H1'21	H1'22	Δ% y/y	Inorganic H121	Inorganic H1 22	H1'22 organic	Δ% y/y org.
Net income	30.2	39.7	31.6%	2.5	3.1	36.7	12%
Digital Transformation	13.5	18.1	34.7%	2.3	1.5	16.7	6%
Technological Infrastructures & Services	7.8	11.0	41.2%	0.2	1.6	9.4	18%
Business Operations	5.1	6.1	19.1%	0.0	0.0	6.1	19%
Business Solutions	3.9	4.6	17.8%	0.0	0.0	4.6	18%

Source: GVC Gaesco Valores estimates

Izertis: Summary tables

	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
PROFIT & LOSS (EURm)						
Sales	46.3	50.7	65.0	94.7	126	151
Cost of Sales & Operating Costs	-41.7	-45.5	-57.8	-84.4	-112.3	-134.4
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	4.6	5.3	7.3	10.4	13.9	16.9
EBITDA (adj.)*	4.6	5.3	7.3	10.4	13.9	16.9
Depreciation	-3.0	-3.9	-5.6	-6.9	-8.4	-9.3
EBITA	1.6	1.4	1.7	3.4	5.5	7.6
EBITA (adj)*	1.6	1.4	1.7	3.4	5.5	7.6
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.6	1.4	1.7	3.4	5.5	7.6
EBIT (adj.)*	1.6	1.4	1.7	3.4	5.5	7.6
Net Financial Interest	-0.4	-1.4	-0.9	-1.2	-1.5	-1.6
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-0.1	-0.4	0.0	0.0	0.0	0.0
Other Non Recurrent Items	-0.6	2.4	-0.1	-0.3	-0.3	-0.3
Earnings Before Tax (EBT)	0.5	1.9	0.7	1.9	3.7	5.7
Tax	-0.2	-0.5	-0.3	-0.5	-0.9	-1.4
<i>Tax rate</i>	<i>46.3%</i>	<i>27.9%</i>	<i>45.8%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	0.3	1.4	0.4	1.4	2.8	4.3
Net Profit (adj.)	0.3	1.4	0.4	1.4	2.8	4.3
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	3.4	5.7	6.0	8.4	11.2	13.6
Change in Net Working Capital	0.2	0.5	-3.4	-0.5	-0.4	-0.2
Cash Flow from Operations	3.5	6.2	2.6	7.8	10.8	13.4
Capex	-2.5	-1.6	-1.9	-2.0	-2.3	-2.2
Net Financial Investments	0.0	0.0	-1.8	-14.1	-17.8	-13.0
Free Cash Flow	1.1	4.5	-1.1	-8.3	-9.3	-1.8
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-2.4	0.1	-3.6	0.3	0.5	0.6
Change in Net Financial Debt	-1.4	4.7	-4.7	-8.0	-8.7	-1.2
NOPLAT	1.6	1.4	1.7	3.4	5.5	7.6
BALANCE SHEET & OTHER ITEMS (EURm)						
Net Tangible Assets	1.9	1.8	1.6	1.7	1.7	1.8
Net Intangible Assets (incl. Goodwill)	20.2	26.7	39.6	52.8	66.6	72.2
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	3.1	5.5	5.6	5.2	4.9	4.8
Total Fixed Assets	25.2	33.9	46.9	59.7	73.3	78.8
Inventories	0.0	0.4	0.8	0.9	0.9	1.0
Trade receivables	12.9	12.3	14.6	15.8	16.9	17.9
Other current assets	2.1	0.7	1.1	1.2	1.3	1.3
Cash (-)	-4.2	-15.0	-37.7	-37.4	-38.1	-38.9
Total Current Assets	19.2	28.5	54.3	55.2	57.2	59.1
Total Assets	44.4	62.4	101.2	114.9	130.5	137.9
Shareholders Equity	15.6	23.6	32.0	31.6	34.3	38.6
Minority	0.2	0.2	0.3	0.3	0.3	0.3
Total Equity	15.7	23.8	32.2	31.8	34.6	38.9
Long term interest bearing debt	9.1	16.8	35.3	42.4	51.4	53.7
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.7	3.8	5.0	4.8	4.5	4.1
Total Long Term Liabilities	10.8	20.6	40.3	47.2	55.9	57.8
Short term interest bearing debt	9.4	7.9	16.8	17.3	17.8	17.4
Trade payables	5.4	5.7	5.1	5.7	6.5	7.4
Other current liabilities	3.1	4.3	6.8	12.9	15.7	16.5
Total Current Liabilities	17.9	17.9	28.6	35.9	40.0	41.3
Total Liabilities and Shareholders' Equity	44.4	62.4	101.2	114.9	130.5	137.9
Net Capital Employed	31.8	37.4	51.6	59.0	70.2	75.2
Net Working Capital	7.5	7.0	10.4	11.0	11.4	11.5
GROWTH & MARGINS						
<i>Sales growth</i>	<i>26.1%</i>	<i>9.5%</i>	<i>28.2%</i>	<i>45.6%</i>	<i>33.3%</i>	<i>19.8%</i>
EBITDA (adj.)* growth	40.8%	14.2%	38.0%	42.3%	34.6%	21.2%
<i>EBITA (adj.)* growth</i>	<i>26.7%</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>104.3%</i>	<i>61.8%</i>	<i>37.7%</i>
<i>EBIT (adj)*growth</i>	<i>26.7%</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>104.3%</i>	<i>61.8%</i>	<i>37.7%</i>

Izertis: Summary tables

GROWTH & MARGINS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Profit growth	-55.3%	447.6%	-71.6%	263.9%	97.0%	52.9%
EPS adj. growth	-55.3%	440.4%	-73.8%	263.9%	97.0%	52.9%
DPS adj. growth						
EBITDA (adj)* margin	10.0%	10.4%	11.2%	10.9%	11.0%	11.2%
EBITA (adj)* margin	3.5%	2.7%	2.6%	3.6%	4.4%	5.0%
EBIT (adj)* margin	3.5%	2.7%	2.6%	3.6%	4.4%	5.0%
RATIOS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Debt/Equity	0.9	0.4	0.4	0.7	0.9	0.8
Net Debt/EBITDA	3.1	1.8	2.0	2.2	2.2	1.9
Interest cover (EBITDA/Fin.interest)	11.8	3.7	8.5	8.6	9.5	10.7
Capex/D&A	81.6%	42.3%	34.5%	29.3%	27.3%	23.7%
Capex/Sales	5.3%	3.2%	3.0%	2.1%	1.8%	1.5%
NWC/Sales	16.3%	13.9%	16.0%	11.6%	9.0%	7.6%
ROE (average)	2.1%	7.0%	1.4%	4.5%	8.5%	11.8%
ROCE (adj.)	5.4%	3.9%	3.2%	5.2%	6.9%	8.9%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROCE (adj.)/WACC	0.6	0.5	0.4	0.6	0.8	1.1
PER SHARE DATA (EUR)***	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Average diluted number of shares	21.3	21.6	23.4	23.4	23.4	23.4
EPS (reported)	0.01	0.06	0.02	0.06	0.12	0.18
EPS (adj.)	0.01	0.06	0.02	0.06	0.12	0.18
BVPS	0.73	1.09	1.37	1.35	1.47	1.65
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
EV/Sales	2.0	3.3	3.0	2.2	1.7	1.4
EV/EBITDA	20.5	31.7	26.9	20.2	15.6	13.0
EV/EBITDA (adj.)*	20.5	31.7	26.9	20.2	15.6	13.0
EV/EBITA	59.1	120.0	116.9	61.0	39.3	28.8
EV/EBITA (adj.)*	59.1	120.0	116.9	61.0	39.3	28.8
EV/EBIT	59.1	n.m.	n.m.	61.0	39.3	28.8
EV/EBIT (adj.)*	59.1	n.m.	n.m.	61.0	39.3	28.8
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	44.7
P/BV	5.4	6.9	5.8	6.1	5.6	5.0
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	3.2	4.7	3.8	3.2	2.7	2.6
OpFCF yield	1.3%	2.8%	0.4%	3.0%	4.5%	5.8%
OpFCF/EV	1.1%	2.7%	0.3%	2.8%	3.9%	5.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Price** (EUR)	3.92	7.54	7.98	8.18	8.18	8.18
Outstanding number of shares for main stock	21.3	21.6	23.4	23.4	23.4	23.4
Total Market Cap	83.5	162.8	186.8	191.5	191.5	191.5
Gross Financial Debt (+)	18.5	24.7	52.1	59.7	69.2	71.1
Cash & Marketable Securities (-)	-4.2	-15.0	-37.7	-37.4	-38.1	-38.9
Net Financial Debt	14.4	9.7	14.4	22.4	31.1	32.3
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	14.4	9.7	14.4	22.4	31.1	32.3
Other EV components	-3.1	-5.5	-5.6	-5.2	-4.9	-4.8
Enterprise Value (EV adj.)	94.7	167.0	195.6	208.6	217.7	219.0

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Technology/Computer Services

Company Description: Izertis is a technological consulting company that helps customers through its digital transformation with a broad portfolio of services. The company has founded in 1996 by its Presidente and CEO and its growth has been constant since then. Now the company is in a growth momentum both organically and inorganically to consolidate the market.

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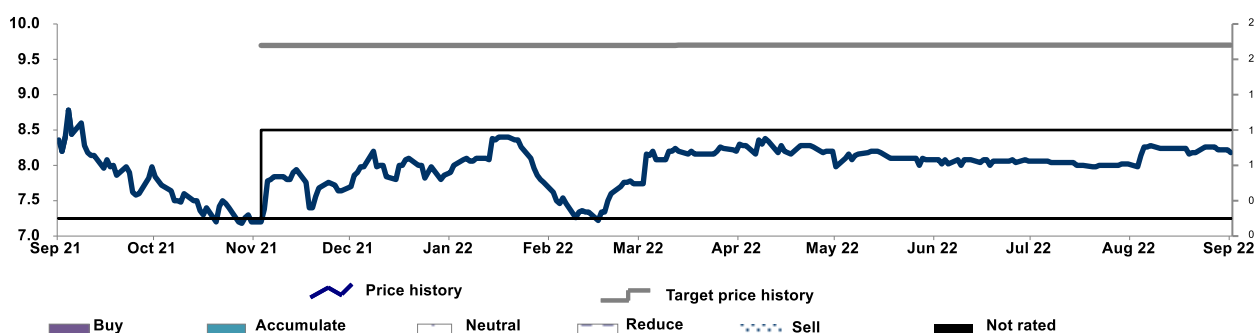
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- has signed a Corporate Brokerage agreement that includes a contractually agreed provision of research services that in return, GVC Gaesco Valores receives a compensation. These reports (sponsored) may/could have been previously shown to the companies: Agile Content; Atrys Health; Audax Renovables; Gigas Hosting; Catenon; Greenalia; TIER1 Technology; Vytrus Biotech.

Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
07-Apr-22	Buy	9.70	8.24
29-Nov-21	Buy	9.70	7.20

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Juan Peña (since 24/11/2021)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

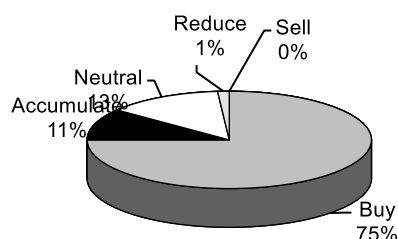
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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