

## Company Flash Note

## Reason: Company results (post view)

7 April 2022

## Buy

Recommendation unchanged

Share price: EUR 8.20

closing price as of 06/04/2022

Target price: EUR 9.70

from Target Price: EUR 9.70

Upside/Downside Potential 18.3%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 192

Current N° of shares (m) 23

Free float 23%

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

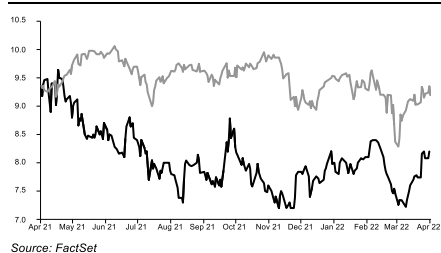
Daily avg. trad. vol. 12 mth (k) 71.95

Price high/low 12 months 9.64 / 7.18

Abs Perfs 1/3/12 mths (%) 9.92/2.50/-12.39

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	15.7
EV/EBITDA (adj.)	26.9	20.2	15.7
EV/EBIT	nm	61.1	39.4
P/E (adj.)	nm	nm	nm
P/BV	5.8	6.1	5.6
OpFCF yield	0.4%	3.0%	4.4%
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)

Juan Peña

juan.pena@gvcgaesco.es

+34 91 436 78 16

## FY21. Margins improvement and growth accelerating

Izerits presented 2021 results yesterday, with growth slightly above our estimates (EUR65m revenues vs. EUR63.5m estimated and recurrent EBITDA EUR7.3m vs. EUR6.9m est), in which the improvement in margins has been more relevant (11.2% vs. 10.9% est). In addition, an acceleration in organic growth has been observed in 2H21, reflecting the strength of the main business lines. The financial situation indicates net debt EUR14.3m (ND/EBITDA 1.98x) in line with our estimates.

- ✓ The two lines of **higher added value revenues** and growth (Digital Transformation and Technological Infrastructure & Services) continue to gain weight over the total and now represent 70% of the revenues (vs. 59% in FY20). **The organic growth of said lines is +14.3% and +25.2%** in the year, respectively, above our estimates of approximately +10%.
- ✓ On the other hand, the **business lines with lower added value** (Business Operations and Business Solutions) have **performed better than expected** with stabilising revenues in BOs and BSs dropping -13.4%.
- ✓ The accelerated growth in the higher added-value lines took the **normalised EBITDA margin** (excluding extraordinary expenses, that in 2021 were only EUR94k) **to +11.2%**, above our estimates and above the 10% target set by the Company in its 2023 Strategic Plan.
- ✓ Regarding **inorganic growth**, another of the Company's growth pillar, in 2022, the company has closed an acquisition with EUR2m in turnover and more are expected to be closed in coming weeks. Our estimates reflect an incremental M&A revenues of EUR19m in 2022, to end the year at EUR90-95m turnover and c.EUR10m normalised EBITDA.
- ✓ Despite the strong investment effort made during 2021 (with c.EUR9m investments in M&A), **net debt remains at around 2x**, target set by the Company.
- ✓ Net profit is below 2020 due to the extraordinary revenues of EUR2.3m from asset disposals. The comparative net profit in 2021 grew up to EUR0.4m.
- ✓ **We maintain our 2022 estimates** with a slight drop in margins vs 2021 in anticipation of possible impacts derived from the macroeconomic events we are experiencing, and **adopting a conservative stance**. In our view the Company is very well positioned to capture the high value that exists in the industry and the growth seen shows that it is greatly outpacing the market. This margin expected for 2022 is the same that we had in our previous estimates.
- ✓ **We maintain our positive outlook on the Company** and reiterate our **fair value of EUR9.7 per share and Buy recommendation**.

## FY 21 Results

### IZERTIS. POST-FY'21 RESULTS.

EURm	FY'20	FY'21	Δ% y/y
<b>Total income</b>	<b>52.86</b>	<b>67.99</b>	<b>28.6%</b>
Digital Transformation	15.61	26.94	72.6%
Technological Infrastructures & Services	14.16	18.33	29.4%
Business Operations	10.54	10.81	2.5%
Business Solutions	10.19	8.82	-13.4%
Others	0.24	0.15	-36.6%
Other income (non operative)	2.12	2.95	39.2%
<b>Supplies</b>	<b>-15.90</b>	<b>-17.62</b>	<b>10.8%</b>
<b>Gross margin</b>	<b>36.96</b>	<b>50.38</b>	<b>36.3%</b>
% gross margin	69.9%	74.1%	4.2pp
Personnel costs	-28.54	-39.56	38.6%
Other general costs	-3.86	-4.17	8.2%
Other results	3.09	0.53	-83.0%
Impairment & Results of sale of assets	-2.39	0.10	n.a
<b>EBITDA</b>	<b>7.66</b>	<b>7.18</b>	<b>-6.1%</b>
other non recurrent costs	-2.39	0.09	-103.9%
<b>Normalized EBITDA</b>	<b>5.27</b>	<b>7.27</b>	<b>38.0%</b>
<b>Normalized EBITDA mg (%)</b>	<b>10.4%</b>	<b>11.2%</b>	<b>.8pp</b>
<b>EBIT</b>	<b>3.78</b>	<b>1.58</b>	<b>-58.2%</b>
<b>Net income</b>	<b>1.38</b>	<b>0.39</b>	<b>-71.6%</b>

Source: Izertis & GVC Gaesco Valores

The improving gross margin reflect the Company's capacity to transfer higher costs to clients within the inflationary context. However, we must bear in mind that the inflation in 2021 was still at "reasonable" levels.

In terms of indirect costs, we also observe an improvement in the normalised EBITDA margin thus the rise in personnel and overhead costs are also being supported by revenues.

### IZERTIS. POST-FY'21 RESULTS. Organic & Inorganic

EURm	FY'20	FY'21	Δ% y/y	Δ% y/y org.
<b>Net income</b>	<b>50.50</b>	<b>64.89</b>	<b>28.5%</b>	<b>8.9%</b>
Digital Transformation	15.61	26.94	72.6%	14.3%
Technological Infrastructures & Services	14.16	18.33	29.4%	25.2%
Business Operations	10.54	10.81	2.5%	0.6%
Business Solutions	10.19	8.82	-13.4%	-13.4%

These organic growths are above those seen in 1H21 of +10.3% and +24.7% respectively, which suggests an acceleration during the second half of the year and helps us to have a positive view of the future of the company.

**Izertis: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
<b>Sales</b>	<b>46.3</b>	<b>50.7</b>	<b>65.0</b>	<b>94.7</b>	<b>126</b>	<b>151</b>
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
<b>EBITDA</b>	<b>4.6</b>	<b>5.3</b>	<b>7.3</b>	<b>10.4</b>	<b>13.9</b>	<b>16.9</b>
<b>EBITDA (adj.)*</b>	<b>4.6</b>	<b>5.3</b>	<b>7.3</b>	<b>10.4</b>	<b>13.9</b>	<b>16.9</b>
Depreciation	-3.0	-3.9	-5.6	-6.9	-8.4	-9.3
<b>EBITA</b>	<b>1.6</b>	<b>1.4</b>	<b>1.7</b>	<b>3.4</b>	<b>5.5</b>	<b>7.6</b>
<b>EBITA (adj)*</b>	<b>1.6</b>	<b>1.4</b>	<b>1.7</b>	<b>3.4</b>	<b>5.5</b>	<b>7.6</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>1.6</b>	<b>1.4</b>	<b>1.7</b>	<b>3.4</b>	<b>5.5</b>	<b>7.6</b>
<b>EBIT (adj.)*</b>	<b>1.6</b>	<b>1.4</b>	<b>1.7</b>	<b>3.4</b>	<b>5.5</b>	<b>7.6</b>
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
<b>Earnings Before Tax (EBT)</b>	<b>0.5</b>	<b>1.9</b>	<b>0.7</b>	<b>1.9</b>	<b>3.7</b>	<b>5.7</b>
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
<b>Net Profit (reported)</b>	<b>0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>1.4</b>	<b>2.8</b>	<b>4.3</b>
<b>Net Profit (adj.)</b>	<b>0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>1.4</b>	<b>2.8</b>	<b>4.3</b>
<b>CASH FLOW (EURm)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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
<b>Cash Flow from Operations</b>	<b>3.5</b>	<b>6.2</b>	<b>2.6</b>	<b>7.8</b>	<b>10.8</b>	<b>13.4</b>
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
<b>Free Cash Flow</b>	<b>1.1</b>	<b>4.5</b>	<b>-1.1</b>	<b>-8.3</b>	<b>-9.3</b>	<b>-1.8</b>
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
<b>Change in Net Financial Debt</b>	<b>-1.4</b>	<b>4.7</b>	<b>-4.7</b>	<b>-8.0</b>	<b>-8.7</b>	<b>-1.2</b>
NOPLAT	1.6	1.4	1.7	3.4	5.5	7.6
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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
<b>Total Fixed Assets</b>	<b>25.2</b>	<b>33.9</b>	<b>46.9</b>	<b>59.7</b>	<b>73.3</b>	<b>78.8</b>
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
<b>Total Current Assets</b>	<b>19.2</b>	<b>28.5</b>	<b>54.3</b>	<b>55.2</b>	<b>57.2</b>	<b>59.1</b>
<b>Total Assets</b>	<b>44.4</b>	<b>62.4</b>	<b>101.2</b>	<b>114.9</b>	<b>130.5</b>	<b>137.9</b>
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
<b>Total Equity</b>	<b>15.7</b>	<b>23.8</b>	<b>32.2</b>	<b>31.8</b>	<b>34.6</b>	<b>38.9</b>
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
<b>Total Long Term Liabilities</b>	<b>10.8</b>	<b>20.6</b>	<b>40.3</b>	<b>47.2</b>	<b>55.9</b>	<b>57.8</b>
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
<b>Total Current Liabilities</b>	<b>17.9</b>	<b>17.9</b>	<b>28.6</b>	<b>35.9</b>	<b>40.0</b>	<b>41.3</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>44.4</b>	<b>62.4</b>	<b>101.2</b>	<b>114.9</b>	<b>130.5</b>	<b>137.9</b>
<b>Net Capital Employed</b>	<b>31.8</b>	<b>37.4</b>	<b>51.6</b>	<b>59.0</b>	<b>70.2</b>	<b>75.2</b>
<b>Net Working Capital</b>	<b>7.5</b>	<b>7.0</b>	<b>10.4</b>	<b>11.0</b>	<b>11.4</b>	<b>11.5</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
<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>
<b>EBITDA (adj.)* growth</b>	<b>40.8%</b>	<b>14.2%</b>	<b>38.0%</b>	<b>42.3%</b>	<b>34.6%</b>	<b>21.2%</b>
<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

<b>GROWTH &amp; MARGINS</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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%
<b>RATIOS</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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
<b>PER SHARE DATA (EUR)***</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
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
<b>VALUATION</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
EV/Sales	2.0	3.3	3.0	2.2	1.7	1.5
EV/EBITDA	20.5	31.7	26.9	20.2	15.7	13.0
<b>EV/EBITDA (adj.)*</b>	<b>20.5</b>	<b>31.7</b>	<b>26.9</b>	<b>20.2</b>	<b>15.7</b>	<b>13.0</b>
EV/EBITA	59.1	120.0	116.9	61.1	39.4	28.8
<b>EV/EBITA (adj.)*</b>	<b>59.1</b>	<b>120.0</b>	<b>116.9</b>	<b>61.1</b>	<b>39.4</b>	<b>28.8</b>
EV/EBIT	59.1	n.m.	n.m.	61.1	39.4	28.8
<b>EV/EBIT (adj.)*</b>	<b>59.1</b>	<b>n.m.</b>	<b>n.m.</b>	<b>61.1</b>	<b>39.4</b>	<b>28.8</b>
<b>P/E (adj.)</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>44.8</b>
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%	4.4%	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%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022e</b>	<b>12/2023e</b>	<b>12/2024e</b>
Price** (EUR)	3.92	7.54	7.98	8.20	8.20	8.20
Outstanding number of shares for main stock	21.3	21.6	23.4	23.4	23.4	23.4
<b>Total Market Cap</b>	<b>83.5</b>	<b>162.8</b>	<b>186.8</b>	<b>192.0</b>	<b>192.0</b>	<b>192.0</b>
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
<b>Net Financial Debt</b>	<b>14.4</b>	<b>9.7</b>	<b>14.4</b>	<b>22.4</b>	<b>31.1</b>	<b>32.3</b>
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Debt</b>	<b>14.4</b>	<b>9.7</b>	<b>14.4</b>	<b>22.4</b>	<b>31.1</b>	<b>32.3</b>
<b>Other EV components</b>	<b>-3.1</b>	<b>-5.5</b>	<b>-5.6</b>	<b>-5.2</b>	<b>-4.9</b>	<b>-4.8</b>
<b>Enterprise Value (EV adj.)</b>	<b>94.7</b>	<b>167.0</b>	<b>195.6</b>	<b>209.1</b>	<b>218.1</b>	<b>219.5</b>

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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#### Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
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)**.

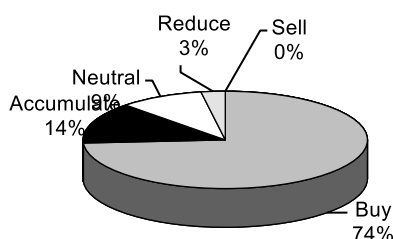
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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
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Note: 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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## Members of ESN (European Securities Network LLP)



**Banca Akros SpA**  
Viale Eginardo, 29  
20149 Milano  
Italy  
Phone: +39 02 4344 4389

### CIC Market Solutions



**CIC Market Solutions**  
6, avenue de Provence  
75441 Paris - Cedex 09  
France  
Phone: +33 1 5348 8193



**Caixa-Banco de Investimento**  
Avenida João XXI, 63  
1000-300 Lisboa  
Portugal  
Phone: +351 21 313 7300

### GVC Gaesco Valores



**GVC Gaesco Valores, S.V., S.A.**  
C/- Fortuny, 17  
28010 Madrid  
Spain  
Phone: +34 91 436 7813

