

EQUITY - SPAIN

Sector: Software

 Closing price: EUR 3.12 (31 Jan 2023)
 Report date: 1 Feb 2023 (16:30h)

12m Results 2022 - Estimates downgrade

Independent Equity Research

12m Results 2022

 Opinion ⁽¹⁾: Below expectations

 Impact ⁽¹⁾: We lower our estimates

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Netex (NTX), is a Spanish technology company (A Coruña) dedicated to the development and commercialisation of software for the education sector. Its two main lines of business are the sale/renewal of licences (32% of revenues 2022e) and the development of projects with customised content (68% of revenues 2022e). Revenues outside Spain represent c. 65%. The founders control c. 51% of the capital.

2022 results: Revenue in line (+69% vs 2021), although the gross Mg. is smaller than expected

Market Data

Market Cap (Mn EUR and USD)	27.7	30.0
EV (Mn EUR and USD) ⁽²⁾	47.0	51.1
Shares Outstanding (Mn)	8.9	
-12m (Max/Med/Min EUR)	3.84 / 3.16 / 2.36	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	5.2	
Factset / Bloomberg	NTX-ES / NTX SM	
Close fiscal year	30-Sep	

STRONG REVENUE GROWTH (+69% VS 2021)... NTX closed 2022 with revenue of EUR 20.9Mn (EUR 22.5Mn in proforma terms vs EUR 12.3Mn in 2021). The step-up in size is explained mainly by: i) the acquisition of Virtual College, the main lever of growth in 2022 (contributing EUR 5Mn over 9 months), ii) strong organic growth (+30% vs 2021), the result of the consolidation of its international activity (with the opening of offices in New York and Sao Paulo) and iii) the ability to access a larger number of clients (SMEs) thanks to Virtual College's catalogue of courses.

Shareholders Structure (%)

José Carlos López Ezquerro	25.4
José Ramón Mosteiro López	25.2
Angel Fandos (Odre 2005)	12.1
3-Gutinvest, S.L.	5.0
Free Float	32.3

...ALTHOUGH THE INTEGRATION OF VIRTUAL COLLEGE HAS LIMITED THE IMPROVEMENT IN THE EBITDA MARGIN. Although the incorporation of Virtual College has increased the weighting of licences (a service with a higher margin) in the mix to c. 31% of revenue (+6.5p.p. vs 2021), the gross margin has declined to 70.7% (-3.3p.p. vs 2021). Whilst the synergies from the integration are not yet fully apparent, the operating leverage led to an increase in Rec. EBITDA to EUR 1.9Mn (vs EUR 1Mn in 2021). The EBITDA margin was 9.3% (+1.4p.p. vs 2021).

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. n ^o shares (Mn)	8.9	8.9	8.9	8.9
Total Revenues	20.9	26.6	31.4	36.7
Rec. EBITDA	1.9	4.4	6.5	8.5
% growth	100.3	129.3	47.7	29.8
% Rec. EBITDA/Rev.	9.3	16.7	20.8	23.1
% Inc. EBITDA sector ⁽⁴⁾	14.5	11.3	18.7	
Net Profit	-1.3	0.7	2.8	4.8
EPS (EUR)	-0.15	0.07	0.31	0.54
% growth	-306.3	149.7	320.5	72.8
Ord. EPS (EUR)	-0.08	0.07	0.31	0.54
% growth	n.a.	195.3	320.5	72.8
Rec. Free Cash Flow ⁽⁵⁾	2.2	1.2	3.0	4.4
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	18.9	17.8	14.8	10.3
ND/Rec. EBITDA (x)	9.8	4.0	2.3	1.2
ROE (%)	n.a.	46.2	88.2	69.2
ROCE (%) ⁽⁵⁾	n.a.	8.4	18.7	27.8

DRIVING 2022 NET DEBT TO EUR 19 MN. The acquisition of Virtual College has increased ND to EUR 18.9Mn in 2022e (of which EUR 6.9Mn are bonds convertible with Inveready in 2026e).

THE EVOLUTION OF MARGINS CAUSES US TO DOWNGRADE OUR ESTIMATES... Our estimate of revenue for the next two years remains intact although the evolution of the gross margin in 2022 leads us to downgrade our estimates for 2023-2024e. Now, our central scenario points to levels of EUR 4.4Mn in 2023e (-14.4% vs previous estimate).

...ALTHOUGH IN THE LONG TERM THE EQUITY STORY REMAINS INTACT. Despite worse than expected 2022 results, NTX's equity story continues to hinge on: i) megatrends (the ramp-up of e-learning) and ii) a high operating leverage thanks to a cost structure with a high fixed component (in addition to the synergies from the technological integration of Virtual College, slated for completion in the summer of 2023). Looking ahead to 2025e: P/E 6x, EV/EBITDA 5.5x and FCF yield of 16%.

Ratios & Multiples (x) ⁽⁶⁾

	n.a.	42.2	10.0	5.8
P/E	n.a.	42.2	10.0	5.8
Ord. P/E	n.a.	15.8	6.1	3.0
P/BV	0.0	0.0	0.0	0.0
Dividend Yield (%)	2.25	1.77	1.50	1.28
EV/Sales	24.3	10.6	7.2	5.5
EV/Rec. EBITDA	n.a.	20.8	9.5	6.4
EV/EBIT	7.9	4.2	10.8	16.0

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-5.2	20.9	-15.7	-5.2	124.5	54.5
vs Ibex 35	-13.6	6.5	-19.6	-13.6	132.8	78.7
vs Ibex Small Cap Index	-19.3	-1.6	-19.3	-19.3	83.1	25.7
vs Eurostoxx 50	-13.6	5.1	-15.4	-13.6	96.3	33.9
vs Sector benchmark ⁽⁴⁾	-17.4	-0.2	-9.8	-17.4	77.8	4.9

(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 Technology.

(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.

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

NTX 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).

12m Results 2022

Estimates downgrade

Any reference to the results for the period 12M refers to the period between 1 October of the previous year to 30 September of the corresponding year.

Table 1. 2022 Results

EUR Mn	2022		2022 Real vs		2022 vs
	Real	2021	2021	2022e	2022e
Total Revenues	20.9	12.3	70.0%	20.8	0.5%
Gross Margin	14.7	9.1	62.2%	15.4	-4.5%
<i>Gross Mg/Revenues</i>	<i>70.7%</i>	<i>74.0%</i>	<i>-3.4 p.p.</i>	<i>74.3%</i>	<i>-3.6 p.p.</i>
Recurrent EBITDA⁽¹⁾	1.9	1.0	100.3%	3.0	-35.9%
<i>Rec. EBITDA/Revenues</i>	<i>9.3%</i>	<i>7.9%</i>	<i>1.4 p.p.</i>	<i>14.5%</i>	<i>-5.2 p.p.</i>
EBITDA⁽²⁾	1.1	1.2	-8.7%	2.5	-57.7%
<i>EBITDA/Revenues</i>	<i>5.1%</i>	<i>9.6%</i>	<i>-4.4 p.p.</i>	<i>12.2%</i>	<i>-7.0 p.p.</i>
EBIT	-0.3	0.6	-149.0%	1.4	-122.7%
PBT	-1.5	0.2	n.a.	0.8	n.a.
NP	0.6	-1.3	148.5%	0.7	-11.5%
Rec. FCF	2.2	-2.9	176.3%	0.4	n.a.
ND ⁽³⁾	18.9	9.0	110.5%	16.6	14.3%

Note 1. Recurrent EBITDA adjusted to strip out the impact of: i) "Work carried out by the group on its assets" for EUR 2.2Mn and EUR 1.7Mn, ii) n, ii) "Subsidies" for EUR 0.1Mn and EUR 0.2Mn, iii) "Expenses associated with M&A" for 1Mn and EUR 0Mn in 1S22 and 2021, and iv) "Other results" for EUR 0Mn and EUR 0Mn in 2022 y 2021, respectively.

Note 2. Rec. EBITDA adjusted to strip out the impact of: "Work carried out by the group on its assets" for EUR 2.2Mn and EUR 1.7Mn in 2022 and 2021, respectively.

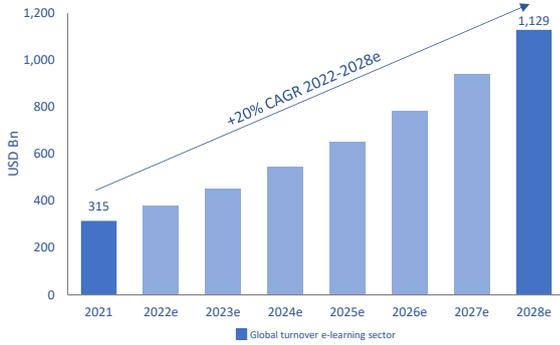
Note 3. Net debt includes convertible bonds signed with Inveready for EUR 6.9Mn and EUR 1.5Mn in 2022 and 2021, respectively.

Table 2. Estimates downgrade

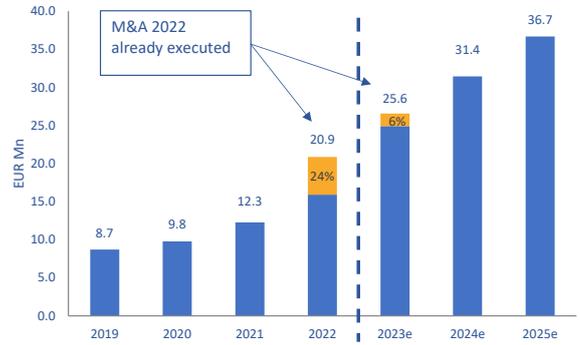
EUR Mn	2023e (New)	2023e	Review (%)	2024e (New)	2024e	Review (%)	2025e (New)
Total Revenues	26.6	25.7	3.5%	31.4	30.5	3.0%	36.7
Recurrent EBITDA	4.4	5.1	-14.0%	6.5	7.4	-12.0%	8.5
<i>Recurrent EBITDA growth</i>	<i>129.3%</i>	<i>70.9%</i>	<i>58 p.p.</i>	<i>47.7%</i>	<i>44.5%</i>	<i>3 p.p.</i>	<i>29.8%</i>
<i>Rec. EBITDA/Revenues</i>	<i>16.7%</i>	<i>20.0%</i>	<i>-3 p.p.</i>	<i>20.8%</i>	<i>24.4%</i>	<i>-4 p.p.</i>	<i>23.1%</i>
EBIT	2.3	3.5	-34.4%	4.9	0.0	n.a.	0.0
Net Profit	0.7	2.2	-70.8%	2.8	4.6	-40.4%	4.8
Recurrent Free Cash Flow	1.2	2.6	-56.1%	3.0	4.2	-28.7%	4.4
<i>ND / EBITDA</i>	<i>4.0 x</i>	<i>2.7 x</i>	<i>1.3 x</i>	<i>2.3 x</i>	<i>1.3 x</i>	<i>1.0 x</i>	<i>1.2 x</i>

The company in 8 charts

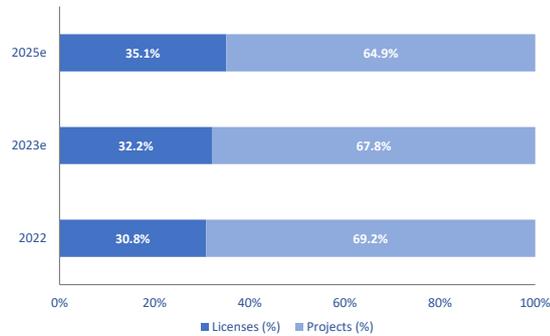
NTX is going to benefit from a very strong sector driver (e-learning)...



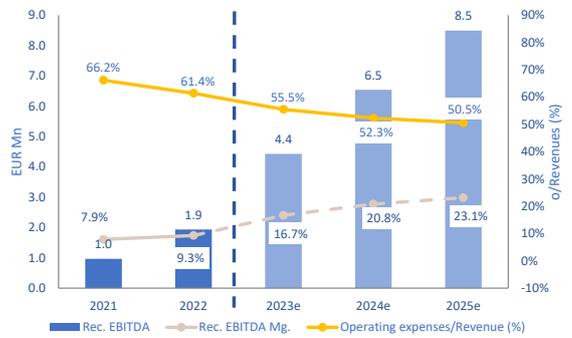
...that will accelerate revenue growth (with M&A as a tailwind)



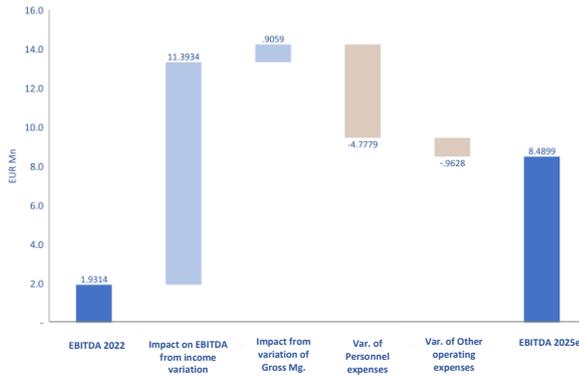
We estimate a progressive increase in the licences business (the most profitable)...



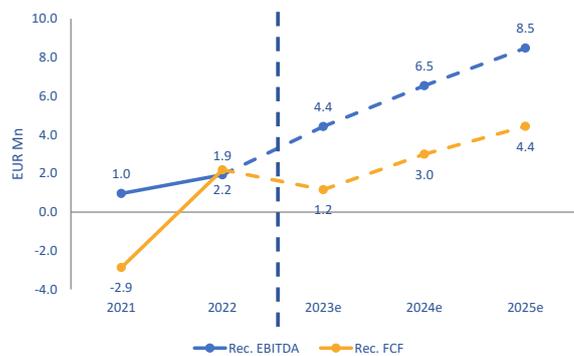
...And high potential for leveraging on its cost structure



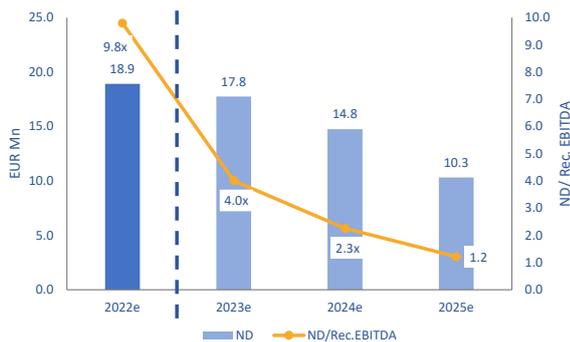
That will enable EBITDA to take off (EUR 8.5Mn in 2025e)



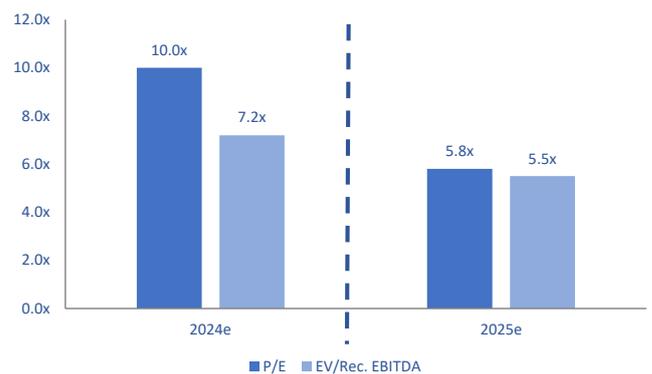
With capacity for cash generation (from 2023e)...



... that will cut debt in half, taking ND/EBITDA to 1.2x



The multiples, an attraction: 25e P/E 5.8x and 24e EV/EBITDA 5.5x



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	2.2	3.9	5.2	89.3		
Market Cap	27.7	At the date of this report				
Net financial debt	18.9	Debt net of Cash (12m Results 2022)				
					Best Case	Worst Case
Cost of Debt	6.5%	Net debt cost			6.3%	6.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	5.2%	Kd = Cost of Net Debt * (1-T)			5.0%	5.4%
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.2	B (own estimate)			1.1	1.3
Cost of Equity	10.5%	Ke = Rf + (R * B)			9.4%	11.8%
Equity / (Equity + Net Debt)	59.4%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	40.6%	D			=	=
WACC	8.4%	WACC = Kd * D + Ke * E			7.6%	9.2%
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	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Instructure Holdings, Inc.	INST-US	3,546.7	21.6	9.5%	23.4	12.3%	8.7	10.3%	37.2%	4.0%	19.2%
Learning Technologies Group	LTG-GB	1,254.6	13.5	10.6%	11.0	10.0%	2.1	4.5%	19.4%	4.4%	33.5%
Docebo	DCBO-CA	1,155.3	n.a.	n.a.	n.a.	n.a.	7.3	28.3%	0.0%	0.3%	85.5%
Skillsoft	SKIL-US	290.7	n.a.	21.9%	7.0	5.4%	1.4	-0.5%	20.2%	n.a.	n.a.
D2L, Inc	DTOL-CA	323.5	n.a.	53.7%	n.a.	n.a.	1.4	10.7%	n.a.	n.a.	n.a.
E-learning			17.6	23.9%	13.8	9.2%	4.2	10.7%	19.2%	2.9%	46.1%
NTX	NTX-ES	27.7	42.2	n.a.	10.6	38.5%	1.8	17.5%	16.7%	4.2%	95.3%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	22.9%	7.2	6.5x
Central	20.8%	6.5	7.2x
Min	18.7%	5.9	8.0x

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

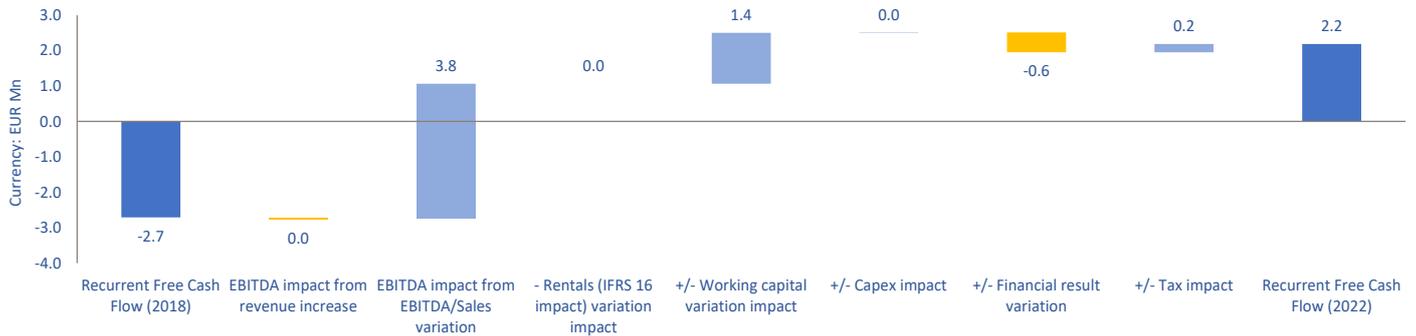
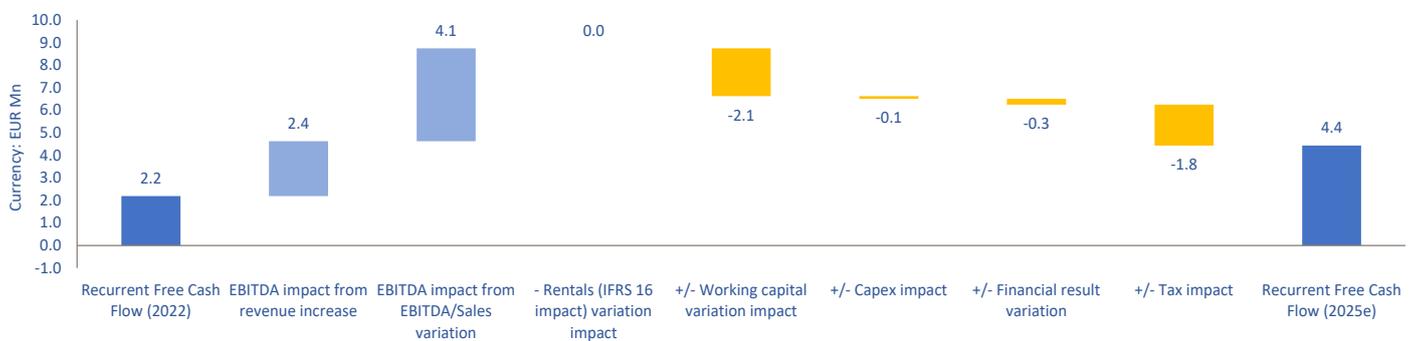
Rec. FCF EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	0.6%	0.7%	0.8%		Max	Central	Min
7.2	3.7	3.7	3.6	Max	13.3%	13.2%	13.1%
6.5	3.0	3.0	3.0	Central	10.9%	10.8%	10.7%
5.9	2.4	2.3	2.3	Min	8.6%	8.4%	8.3%

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	5.5	6.2	6.5	6.1	9.4	7.2	5.6	4.5		
Fixed assets	0.4	0.4	0.4	0.3	0.5	0.7	1.0	1.3		
Other Non Current Assets	0.2	0.2	0.2	0.5	1.3	1.3	1.3	1.3		
Financial Investments	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Goodwill & Other Intangibles	-	-	-	-	5.9	5.9	5.9	5.9		
Current assets	4.0	4.4	3.7	7.1	8.6	10.6	12.1	13.8		
Total assets	10.4	11.4	11.1	14.3	25.9	26.0	26.2	26.9		
Equity	2.2	2.2	1.3	2.3	1.1	1.7	4.5	9.3		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.1	0.1	0.2	0.1	0.7	0.7	0.7	0.7		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	5.3	5.8	6.8	9.0	18.9	17.8	14.8	10.3		
Current Liabilities	2.8	3.2	2.8	2.9	5.2	5.8	6.2	6.7		
Equity & Total Liabilities	10.4	11.4	11.1	14.3	25.9	26.0	26.2	26.9		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	6.7	8.7	9.8	12.3	20.9	26.6	31.4	36.7	32.8%	20.7%
<i>Total Revenues growth</i>	<i>31.6%</i>	<i>29.8%</i>	<i>12.4%</i>	<i>25.4%</i>	<i>70.0%</i>	<i>27.4%</i>	<i>18.4%</i>	<i>16.7%</i>		
COGS	(1.5)	(1.8)	(2.5)	(3.2)	(6.1)	(7.4)	(8.5)	(9.7)		
Gross Margin	5.2	6.9	7.3	9.1	14.7	19.2	23.0	27.0	29.9%	22.4%
<i>Gross Margin/Revenues</i>	<i>77.2%</i>	<i>79.5%</i>	<i>74.2%</i>	<i>74.0%</i>	<i>70.7%</i>	<i>72.1%</i>	<i>73.1%</i>	<i>73.7%</i>		
Personnel Expenses	(5.5)	(6.0)	(6.4)	(6.7)	(10.2)	(11.9)	(13.2)	(15.0)		
Other Operating Expenses	(1.5)	(1.3)	(1.3)	(1.4)	(2.6)	(2.9)	(3.2)	(3.5)		
Recurrent EBITDA	(1.8)	(0.4)	(0.5)	1.0	1.9	4.4	6.5	8.5	32.1%	63.8%
<i>Recurrent EBITDA growth</i>	<i>0.8%</i>	<i>77.0%</i>	<i>-10.8%</i>	<i>304.8%</i>	<i>100.3%</i>	<i>129.3%</i>	<i>47.7%</i>	<i>29.8%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>7.9%</i>	<i>9.3%</i>	<i>16.7%</i>	<i>20.8%</i>	<i>23.1%</i>		
Restructuring Expense & Other non-rec.	(0.0)	(0.0)	0.2	0.2	(0.9)	-	-	-		
EBITDA	(1.9)	(0.4)	(0.2)	1.2	1.1	4.4	6.5	8.5	26.6%	99.4%
Depreciation & Provisions	(1.7)	(1.8)	(2.0)	(2.2)	(3.6)	(3.9)	(3.2)	(2.7)		
Capitalized Expense	2.1	2.4	2.5	1.7	2.2	1.7	1.6	1.6		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	(1.4)	0.2	0.3	0.6	(0.3)	2.3	4.9	7.4	31.9%	n.a.
<i>EBIT growth</i>	<i>26.1%</i>	<i>111.2%</i>	<i>60.2%</i>	<i>143.8%</i>	<i>-149.0%</i>	<i>838.0%</i>	<i>117.7%</i>	<i>49.3%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>1.8%</i>	<i>2.6%</i>	<i>5.1%</i>	<i>n.a.</i>	<i>8.5%</i>	<i>15.7%</i>	<i>20.1%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(0.2)	(0.2)	(0.4)	(1.2)	(1.4)	(1.3)	(1.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(1.6)	(0.0)	0.0	0.2	(1.5)	0.9	3.7	6.4	1.2%	82.7%
<i>Ordinary Profit Growth</i>	<i>25.1%</i>	<i>97.3%</i>	<i>128.7%</i>	<i>n.a.</i>	<i>-926.3%</i>	<i>156.4%</i>	<i>320.5%</i>	<i>72.8%</i>		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	(1.6)	(0.0)	0.0	0.2	(1.5)	0.9	3.7	6.4	1.2%	82.7%
Tax Expense	(0.0)	0.1	0.1	0.5	0.2	(0.2)	(0.9)	(1.6)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	-	-	(0.0)	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(1.6)	0.1	0.1	0.6	(1.3)	0.7	2.8	4.8	5.2%	77.7%
<i>Net Profit growth</i>	<i>25.1%</i>	<i>104.6%</i>	<i>86.4%</i>	<i>358.7%</i>	<i>-306.3%</i>	<i>149.7%</i>	<i>320.5%</i>	<i>72.8%</i>		
Ordinary Net Profit	(1.6)	(0.0)	(0.2)	(0.0)	(0.7)	0.7	2.8	4.8	18.8%	n.a.
<i>Ordinary Net Profit growth</i>	<i>23.4%</i>	<i>98.7%</i>	<i>-980.1%</i>	<i>90.7%</i>	<i>n.a.</i>	<i>195.3%</i>	<i>320.5%</i>	<i>72.8%</i>		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						4.4	6.5	8.5	32.1%	63.8%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(1.5)	(1.1)	(1.2)		
Recurrent Operating Cash Flow						3.0	5.4	7.3	34.1%	36.5%
CAPEX						(0.2)	(0.2)	(0.3)		
Net Financial Result affecting the Cash Flow						(1.4)	(1.3)	(1.0)		
Tax Expense						(0.2)	(0.9)	(1.6)		
Recurrent Free Cash Flow						1.2	3.0	4.4	29.4%	26.5%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						1.2	3.0	4.4	-27.3%	37.8%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						(1.2)	(3.0)	(4.4)		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	(0.4)	(0.5)	1.0	1.9	4.4	6.5	8.5	87.1%	63.8%
<i>Recurrent EBITDA growth</i>	77.0%	-10.8%	304.8%	100.3%	129.3%	47.7%	29.8%		
<i>Rec. EBITDA/Revenues</i>	n.a.	n.a.	7.9%	9.3%	16.7%	20.8%	23.1%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	0.1	0.2	(3.4)	0.9	(1.5)	(1.1)	(1.2)		
= Recurrent Operating Cash Flow	(0.3)	(0.2)	(2.4)	2.9	3.0	5.4	7.3	n.a.	36.5%
<i>Rec. Operating Cash Flow growth</i>	86.1%	26.5%	-902.4%	220.3%	3.3%	82.0%	35.2%		
<i>Rec. Operating Cash Flow / Sales</i>	n.a.	n.a.	n.a.	13.8%	11.2%	17.2%	19.9%		
- CAPEX	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.3)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.2)	(0.4)	(0.8)	(1.4)	(1.3)	(1.0)		
- Taxes	-	-	-	0.2	(0.2)	(0.9)	(1.6)		
= Recurrent Free Cash Flow	(0.6)	(0.5)	(2.9)	2.2	1.2	3.0	4.4	78.5%	26.5%
<i>Rec. Free Cash Flow growth</i>	78.1%	22.8%	-526.6%	176.3%	-46.9%	157.8%	47.9%		
<i>Rec. Free Cash Flow / Revenues</i>	n.a.	n.a.	n.a.	10.5%	4.4%	9.5%	12.1%		
- Restructuring expenses & others	(0.0)	0.2	0.2	(0.9)	-	-	-		
- Acquisitions / + Divestments	-	-	-	(8.5)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(0.6)	(0.2)	(2.7)	(7.2)	1.2	3.0	4.4	n.a.	37.8%
<i>Free Cash Flow growth</i>	77.5%	63.4%	n.a.	-171.0%	116.1%	157.8%	47.9%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	n.a.	n.a.	n.a.	7.9%	4.2%	10.8%	16.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	n.a.	n.a.	n.a.	4.2%	10.8%	16.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e		
Recurrent FCF(FY - 1)	(2.7)	(0.6)	(0.5)	(2.9)	2.2	1.2	3.0		
EBITDA impact from revenue increase	(0.5)	(0.1)	(0.1)	0.7	0.5	0.8	1.1		
EBITDA impact from EBITDA/Sales variation	2.0	0.0	1.6	0.3	2.0	1.3	0.9		
= Recurrent EBITDA variation	1.4	(0.0)	1.4	1.0	2.5	2.1	1.9		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	0.6	0.1	(3.6)	4.3	(2.4)	0.3	(0.0)		
= Recurrent Operating Cash Flow variation	2.0	0.1	(2.2)	5.3	0.1	2.4	1.9		
+/- CAPEX impact	0.1	0.0	0.0	(0.1)	(0.0)	(0.0)	(0.0)		
+/- Financial result variation	(0.0)	0.0	(0.3)	(0.3)	(0.6)	0.1	0.2		
+/- Tax impact	0.0	-	-	0.2	(0.4)	(0.7)	(0.7)		
= Recurrent Free Cash Flow variation	2.1	0.1	(2.4)	5.1	(1.0)	1.8	1.4		
Recurrent Free Cash Flow	(0.6)	(0.5)	(2.9)	2.2	1.2	3.0	4.4		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	0.2	0.3	0.6	(0.3)	2.3	4.9	7.4	-57.6%	n.a.
* Theoretical Tax rate	0.0%	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	(0.6)	(1.2)	(1.8)		
Recurrent EBITDA	(0.4)	(0.5)	1.0	1.9	4.4	6.5	8.5	87.1%	63.8%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	0.1	0.2	(3.4)	0.9	(1.5)	(1.1)	(1.2)		
= Recurrent Operating Cash Flow	(0.3)	(0.2)	(2.4)	2.9	3.0	5.4	7.3	n.a.	36.5%
- CAPEX	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.3)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.6)	(1.2)	(1.8)		
= Recurrent Free Cash Flow (To the Firm)	(0.4)	(0.3)	(2.4)	2.7	2.2	3.9	5.2	n.a.	24.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	84.5%	27.0%	-757.0%	211.9%	-18.9%	78.6%	31.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	n.a.	n.a.	n.a.	13.0%	8.3%	12.5%	14.2%		
- Acquisitions / + Divestments	-	-	-	(8.5)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(0.4)	(0.3)	(2.4)	(5.8)	2.2	3.9	5.2	n.a.	42.5%
<i>Free Cash Flow (To the Firm) growth</i>	84.5%	27.0%	-757.0%	-139.5%	137.9%	78.6%	31.9%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	n.a.	n.a.	n.a.	5.8%	4.7%	8.4%	11.0%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	n.a.	n.a.	n.a.	4.7%	8.4%	11.0%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

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	27.7	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	0.7	12m Results 2022
+ Net financial debt	18.9	12m Results 2022
- Financial Investments	0.2	12m Results 2022
+/- Others		
Enterprise Value (EV)	47.0	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR 12-22	22-25e
Total Revenues					5.4	5.1	6.7	8.7	9.8	12.3	20.9	26.6	31.4	36.7	n.a.	20.7%
Total Revenues growth					n.a.	-6.2%	31.6%	29.8%	12.4%	25.4%	70.0%	27.4%	18.4%	16.7%		
EBITDA					0.0	(1.9)	(1.9)	(0.4)	(0.2)	1.2	1.1	4.4	6.5	8.5	n.a.	99.4%
EBITDA growth					n.a.	n.a.	-1.3%	76.2%	46.8%	591.0%	-8.7%	313.7%	47.7%	29.8%		
EBITDA/Sales					0.3%	n.a.	n.a.	n.a.	n.a.	9.6%	5.1%	16.7%	20.8%	23.1%		
Net Profit					0.0	(2.2)	(1.6)	0.1	0.1	0.6	(1.3)	0.7	2.8	4.8	n.a.	77.7%
Net Profit growth					n.a.	n.a.	25.1%	104.6%	86.4%	358.7%	-306.3%	149.7%	320.5%	72.8%		
Adjusted number shares (Mn)					-	-	-	8.9	8.9	8.9	8.9	8.9	8.9	8.9		
EPS (EUR)					n.a.	n.a.	n.a.	0.01	0.02	0.07	-0.15	0.07	0.31	0.54	n.a.	77.7%
EPS growth					n.a.	n.a.	n.a.	n.a.	86.4%	n.a.	n.a.	n.a.	n.a.	72.8%		
Ord. EPS (EUR)					n.a.	n.a.	n.a.	0.00	-0.02	0.00	-0.08	0.07	0.31	0.54	n.a.	n.a.
Ord. EPS growth					n.a.	n.a.	n.a.	n.a.	n.a.	90.7%	n.a.	n.a.	n.a.	72.8%		
CAPEX					-	(0.1)	(0.2)	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.3)		
CAPEX/Sales %					0.0%	1.1%	2.5%	0.7%	0.5%	0.3%	0.7%	0.7%	0.7%	0.7%		
Free Cash Flow					(2.1)	(1.0)	(2.7)	(0.6)	(0.2)	(2.7)	(7.2)	1.2	3.0	4.4	n.a.	37.8%
ND/EBITDA (x) ⁽²⁾					n.a.	n.a.	n.a.	n.a.	n.a.	7.7x	17.7x	4.0x	2.3x	1.2x		
P/E (x)					n.a.	n.a.	n.a.	n.a.	n.a.	50.2x	n.a.	42.2x	10.0x	5.8x		
EV/Sales (x)					n.a.	n.a.	3.39x	1.97x	1.94x	3.38x	2.70x	1.77x	1.50x	1.28x		
EV/EBITDA (x) ⁽²⁾					n.a.	n.a.	n.a.	n.a.	n.a.	35.4x	n.a.	10.6x	7.2x	5.5x		
Absolute performance					n.a.	n.a.	-34.8%	7.8%	164.7%	-1.6%	-9.1%	-19.2%				
Relative performance vs Ibxex 35					n.a.	n.a.	-23.4%	-3.6%	213.1%	-8.9%	-3.8%	-27.8%				

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 Factset.

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

Appendix 5. Main peers 2023e

		Instructure Holdings, Learning Technologies					Average	NTX
EUR Mn		Inc.	Group	Docebo	Skillsoft	D2L, Inc		
Market data	Ticker (Factset)	INST-US	LTG-GB	DCBO-CA	SKIL-US	DTOL-CA	NTX-ES	
	Country	United States	United Kingdom	Canada	United States	Canada	Spain	
	Market cap	3,546.7	1,254.6	1,155.3	290.7	323.5	27.7	
	Enterprise value (EV)	3,783.6	1,439.9	956.6	718.8	224.5	47.0	
Basic financial information	Total Revenues	435.0	671.9	131.4	506.4	155.5	26.6	
	Total Revenues growth	16.5%	129.5%	45.7%	-3.1%	18.5%	41.4%	27.4%
	2y CAGR (2023e - 2025e)	10.3%	4.5%	28.3%	-0.5%	10.7%	10.7%	17.5%
	EBITDA	161.7	130.6	0.0	102.5	(4.6)		4.4
	EBITDA growth	56.4%	27.8%	100.5%	-0.4%	92.3%	55.3%	313.7%
	2y CAGR (2023e - 2025e)	12.3%	10.0%	n.a.	5.4%	n.a.	9.2%	38.5%
	EBITDA/Revenues	37.2%	19.4%	0.0%	20.2%	n.a.	19.2%	16.7%
	EBIT	156.5	115.6	(2.0)	(79.5)	(14.5)		2.3
	EBIT growth	769.6%	86.3%	81.5%	-73.6%	76.8%	188.1%	838.0%
	2y CAGR (2023e - 2025e)	13.0%	11.1%	n.a.	41.9%	57.6%	30.9%	80.3%
	EBIT/Revenues	36.0%	17.2%	n.a.	n.a.	n.a.	26.6%	8.5%
	Net Profit	(33.2)	79.8	3.6	(575.6)	(15.6)		0.7
	Net Profit growth	59.3%	371.9%	130.5%	-550.8%	81.5%	18.5%	149.7%
	2y CAGR (2023e - 2025e)	41.6%	12.3%	33.6%	67.3%	53.7%	41.7%	n.a.
CAPEX/Sales %	1.4%	1.4%	0.9%	1.4%	2.2%	1.4%	0.7%	
Free Cash Flow	140.6	55.3	3.5	(2.4)	(1.4)		1.2	
Net financial debt	115.5	135.8	(202.7)	n.a.	(98.9)		17.8	
ND/EBITDA (x)	0.7	1.0	n.a.	n.a.	n.a.	0.9	4.0	
Pay-out	0.0%	13.9%	n.a.	0.0%	n.a.	4.6%	0.0%	
Multiples and Ratios	P/E (x)	21.6	13.5	n.a.	n.a.	n.a.	17.6	42.2
	P/BV (x)	2.7	n.a.	5.9	n.a.	n.a.	4.3	15.8
	EV/Revenues (x)	8.7	2.1	7.3	1.4	1.4	4.2	1.8
	EV/EBITDA (x)	23.4	11.0	n.a.	7.0	n.a.	13.8	10.6
	EV/EBIT (x)	24.2	12.5	n.a.	n.a.	n.a.	18.3	20.8
	ROE	12.3	n.a.	0.5	n.a.	n.a.	6.4	46.2
	FCF Yield (%)	4.0	4.4	0.3	n.a.	n.a.	2.9	4.2
	DPS	0.00	0.01	n.a.	0.00	n.a.	0.00	0.00
	Dvd Yield	0.0%	0.9%	n.a.	0.0%	n.a.	0.3%	0.0%

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).

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Feb-2023	n.a.	3.12	n.a.	n.a.	12m Results 2022 - Estimates downgrade	Luis Esteban Arribas
01-Aug-2022	n.a.	3.23	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
07-Jul-2022	n.a.	3.27	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

