

## Company Flash Note

## Reason: Company results (post view)

12 April 2023

### Buy

Recommendation unchanged

Share price: EUR 8.00

closing price as of 11/04/2023

Target price: EUR 10.70

from Target Price: EUR 10.70

Upside/Downside Potential 33.7%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 200

Current N° of shares (m) 25

Free float 28%

Daily avg. no. trad. sh. 12 mth (k) 8

Daily avg. trad. vol. 12 mth (k) 45.13

Price high/low 12 months 8.38 / 7.90

Abs Perfs 1/3/12 mths (%) -0.74/-2.20/-1.96

Key financials (EUR) 12/22 12/23e 12/24e

Sales (m) 88 125 156

EBITDA (m) 12 16 20

EBITDA margin 13.6% 12.5% 12.7%

EBIT (m) 6 7 9

EBIT margin 6.9% 5.3% 6.0%

Net Profit (adj.)(m) 4 3 5

ROCE 6.2% 6.1% 8.1%

Net debt/(cash) (m) 34 41 40

Net Debt Equity 0.7 0.9 0.8

Net Debt/EBITDA 2.8 2.6 2.0

Int. cover(EBITDA/Fin.int) 6.4 5.4 6.7

EV/Sales 2.7 1.9 1.5

EV/EBITDA 19.6 15.2 11.9

EV/EBITDA (adj.) 19.6 15.2 11.9

EV/EBIT 38.8 36.1 25.2

P/E (adj.) nm nm 43.4

P/BV 4.2 4.2 3.8

OpFCF yield -0.4% 4.4% 6.3%

Dividend yield 0.0% 0.0% 0.0%

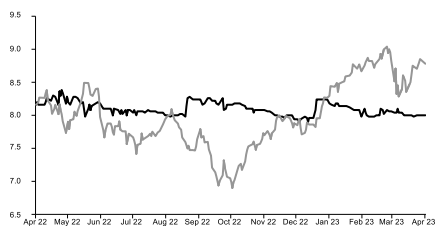
EPS (adj.) 0.15 0.10 0.18

BVPS 1.94 1.92 2.10

DPS 0.00 0.00 0.00

### Shareholders

Laren Capital, S.L.U. 56%; Management Team 14%;  
Santander AM 1.88%;



Source: FactSet

IZERTIS IBEX 35 (Rebased)

### Analyst(s)

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## A new growth phase

Izertis presented full-year 2022 results this morning as well as the new strategic plan for 2027. 2022 results show a substantial improvement at operating levels, reaching 13.1% margin (+0.6pp vs. our estimates), which confirms the Company's capacity to grow in higher added-value services, as well as transferring a large portion of higher costs to clients. In addition, the Company continues to demonstrate the excellent integration of acquired companies, that continue to contribute growth to the Group.

- ✓ 2022 **revenues** reached EUR92m (vs. EUR91m estimated), with c.+13% organic growth, slightly above the Company's traditional 10% target. Izertis has modified the reporting of revenues breakdown thus the performance of the various businesses is not comparable to past results.
- ✓ The **gross margin** improves from 74.1% to 81%, demonstrating the Company's capacity to internalise processes and technologies and of being more efficient in operations. The EBITDA margin reached 13.1% (+1.9pp Y/Y) reaching levels above our estimated 12.5%.
- ✓ **Net debt** comes to EUR31.5m (ND/EBITDA 2.6x), in line with the Company's targets (ND/EBITDA <3x) and our estimates (EUR33m). We must bear in mind that the Company registers 100% of the pending earnouts from acquisitions as debt, which in some occasions is not paid-out.
- ✓ The **2027 strategic plan** presented by the Company points to revenue of EUR250m and EBITDA EUR33m (margin c.13%). The mentioned data can be considered conservative, given that an improvement in the EBITDA margin is not expected. Our estimates point to EUR260m revenues and ERU35m EBITDA, which we consider reasonable and attainable.
- ✓ The Company expects the **M&A** market to return to normal following years of exuberance in valuations and that the market can continue consolidating with a focus on Iberia and the aim to begin international growth (Europe and US, namely) as from 2024, via multinational current customers.
- ✓ Regarding **funding** of M&A operations (that the Company believe will be fewer in numbers and larger in terms of size), in recent months the Company was able to achieve the backing from financial entities so as to reach the mentioned growth and does not expect a substantial impact from the interest rate hike on results (c. 2/3 of the debt is at a fixed rate).
- ✓ In the **strategic plan**, the Company increases its **organic growth target** to c.+15% due to the bigger size of its clients and the rise in needs.
- ✓ To sum up, we maintain our current estimates and target price, with a +34% upside potential, and a **Buy** recommendation. We believe that Izertis is demonstrating substantial strength in its growths that leads us to confide in its future development.

## 2022 results

### IZERTIS. POST-FY'22 RESULTS.

EURm	FY'21	FY'22	Δ% y/y
<b>Total income</b>	<b>67.99</b>	<b>92.20</b>	<b>35.6%</b>
<b>Supplies</b>	<b>-17.62</b>	<b>-17.51</b>	<b>-0.6%</b>
<b>Gross margin</b>	<b>50.38</b>	<b>74.69</b>	<b>48.3%</b>
% gross margin	74.1%	81.0%	6.9pp
Personnel costs	-39.56	-58.80	48.6%
Other general costs	-4.17	-4.59	10.0%
Other results	0.53	0.91	73.0%
Impairment & Results of sale of assets	0.10	0.05	n.a
<b>EBITDA</b>	<b>7.18</b>	<b>12.26</b>	<b>70.7%</b>
other non recurrent costs	0.09	-0.20	-310.6%
<b>Normalized EBITDA</b>	<b>7.27</b>	<b>12.07</b>	<b>67.9%</b>
<b>Normalized EBITDA mg (%)</b>	<b>11.2%</b>	<b>13.1%</b>	<b>1.9pp</b>
<b>EBIT</b>	<b>1.58</b>	<b>6.29</b>	<b>184.3%</b>
<b>Net income</b>	<b>0.39</b>	<b>3.72</b>	<b>851.9%</b>

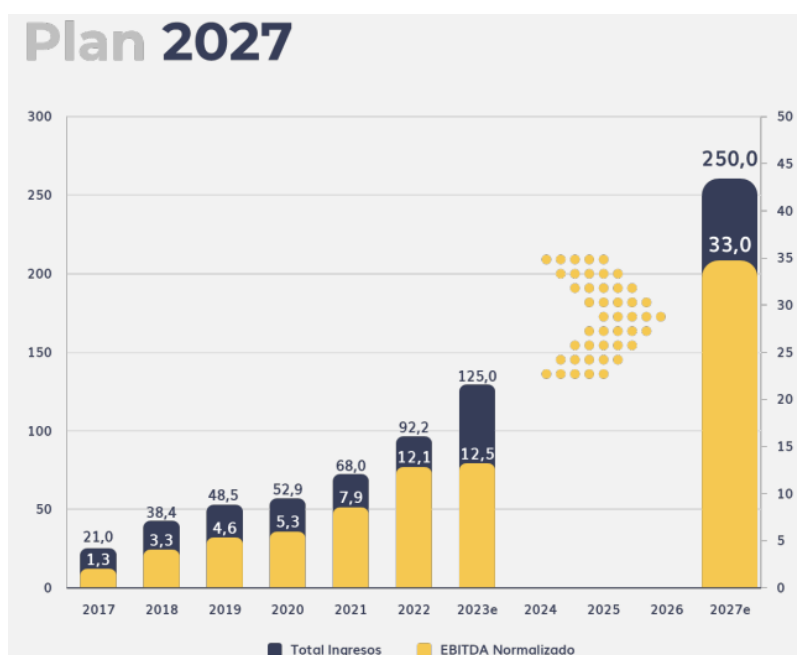
Source: Izertis & GVC Gaesco Valores

During the Group's results presentation, the Company emphasised its strong customer diversification, with the top 10 accounting for 31% of total revenues, the top 20 for 41% and the top 50 for 56%.

The Company continues leveraged in its investment case, and on 4 main pillars:

- Strong sector momentum
- Solid track-record
- Unstoppable market concentration process
- Alignment of management/shareholders' interests.

We believe that said pillars constitute a solid foundation on which to build the Company's future value creation.



## Izertis: Summary tables

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
<b>Sales</b>	<b>50.7</b>	<b>65.0</b>	<b>88.4</b>	<b>125</b>	<b>156</b>	<b>189</b>
Cost of Sales & Operating Costs	-45.5	-57.8	-76.4	-109.0	-136.0	-163.8
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>5.3</b>	<b>7.3</b>	<b>12.1</b>	<b>15.6</b>	<b>19.9</b>	<b>24.9</b>
<b>EBITDA (adj.)*</b>	<b>5.3</b>	<b>7.3</b>	<b>12.1</b>	<b>15.6</b>	<b>19.9</b>	<b>24.9</b>
Depreciation	-3.9	-5.6	-6.0	-9.0	-10.4	-11.8
Depreciation of Right-of-Use						0
<b>EBITA</b>	<b>1.4</b>	<b>1.7</b>	<b>6.1</b>	<b>6.6</b>	<b>9.4</b>	<b>13.1</b>
<b>EBITA (adj.)*</b>	<b>1.4</b>	<b>1.7</b>	<b>6.1</b>	<b>6.6</b>	<b>9.4</b>	<b>13.1</b>
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>1.4</b>	<b>1.7</b>	<b>6.1</b>	<b>6.6</b>	<b>9.4</b>	<b>13.1</b>
<b>EBIT (adj.)*</b>	<b>1.4</b>	<b>1.7</b>	<b>6.1</b>	<b>6.6</b>	<b>9.4</b>	<b>13.1</b>
Net Financial Interest	-1.4	-0.9	-1.9	-2.9	-3.0	-3.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-0.4	0.0	-0.4	0.0	0.0	0.0
Other Non Recurrent Items	2.4	-0.1	0.2	-0.3	-0.3	-0.3
<b>Earnings Before Tax (EBT)</b>	<b>1.9</b>	<b>0.7</b>	<b>4.0</b>	<b>3.4</b>	<b>6.1</b>	<b>9.8</b>
Tax	-0.5	-0.3	-0.3	-0.8	-1.5	-2.4
<i>Tax rate</i>	<i>27.9%</i>	<i>45.8%</i>	<i>7.4%</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>1.4</b>	<b>0.4</b>	<b>3.7</b>	<b>2.5</b>	<b>4.6</b>	<b>7.3</b>
<b>Net Profit (adj.)</b>	<b>1.4</b>	<b>0.4</b>	<b>3.7</b>	<b>2.5</b>	<b>4.6</b>	<b>7.3</b>
<b>CASH FLOW (EURm)</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Cash Flow from Operations before change in NWC	5.7	6.0	10.1	11.6	15.0	19.1
Change in Net Working Capital	0.5	-3.1	-8.8	-1.0	-0.8	-0.6
<b>Cash Flow from Operations</b>	<b>6.2</b>	<b>2.9</b>	<b>1.3</b>	<b>10.6</b>	<b>14.3</b>	<b>18.5</b>
Capex	-1.6	-1.9	-2.1	-1.8	-1.8	-1.9
Net Financial Investments	0.0	-1.8	-33.6	-13.0	-11.3	-13.3
<b>Free Cash Flow</b>	<b>4.5</b>	<b>-0.8</b>	<b>-34.4</b>	<b>-4.2</b>	<b>1.2</b>	<b>3.3</b>
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.1	-6.2	17.1	-2.8	-0.7	-3.0
<b>Change in Net Financial Debt</b>	<b>4.7</b>	<b>-7.0</b>	<b>-17.2</b>	<b>-7.0</b>	<b>0.5</b>	<b>0.3</b>
NOPLAT	1.4	1.7	6.1	6.6	9.4	13.1
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Net Tangible Assets	1.8	3.9	4.0	4.1	4.1	4.2
Net Intangible Assets (incl. Goodwill)	26.7	41.8	75.5	83.1	91.0	96.2
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	5.5	3.1	3.5	3.4	3.4	3.4
<b>Total Fixed Assets</b>	<b>33.9</b>	<b>48.8</b>	<b>83.1</b>	<b>90.6</b>	<b>98.5</b>	<b>104</b>
Inventories	0.4	0.8	0.8	0.8	0.9	0.9
Trade receivables	12.3	14.4	23.7	25.4	26.9	28.3
Other current assets	0.7	1.3	1.4	1.5	1.6	1.7
Cash (-)	-15.0	-37.7	-35.6	-36.3	-37.0	-37.8
<b>Total Current Assets</b>	<b>28.5</b>	<b>54.2</b>	<b>61.5</b>	<b>64.0</b>	<b>66.4</b>	<b>68.6</b>
<b>Total Assets</b>	<b>62.4</b>	<b>103.0</b>	<b>144.6</b>	<b>154.6</b>	<b>164.9</b>	<b>172.4</b>
Shareholders Equity	23.6	33.5	48.5	47.9	52.5	59.8
Minority	0.2	0.3	0.2	0.2	0.2	0.2
<b>Total Equity</b>	<b>23.8</b>	<b>33.8</b>	<b>48.7</b>	<b>48.1</b>	<b>52.7</b>	<b>60.0</b>
Long term interest bearing debt	16.8	37.0	47.0	53.8	54.1	55.2
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	3.8	3.0	6.5	5.7	5.1	4.6
<b>Total Long Term Liabilities</b>	<b>20.6</b>	<b>40.0</b>	<b>53.5</b>	<b>59.5</b>	<b>59.3</b>	<b>59.8</b>
Short term interest bearing debt	7.9	17.5	22.6	23.5	23.4	22.8
Trade payables	5.7	5.1	5.6	6.3	7.1	7.9
Other current liabilities	4.3	6.8	14.3	17.2	22.5	21.9
<b>Total Current Liabilities</b>	<b>17.9</b>	<b>29.3</b>	<b>42.5</b>	<b>47.0</b>	<b>52.9</b>	<b>52.6</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>62.4</b>	<b>103.0</b>	<b>144.6</b>	<b>154.6</b>	<b>164.9</b>	<b>172.4</b>
<b>Net Capital Employed</b>	<b>37.4</b>	<b>53.5</b>	<b>89.1</b>	<b>94.8</b>	<b>98.3</b>	<b>104.8</b>
<b>Net Working Capital</b>	<b>7.0</b>	<b>10.1</b>	<b>18.9</b>	<b>19.9</b>	<b>20.7</b>	<b>21.3</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
<i>Sales growth</i>	<i>9.5%</i>	<i>28.2%</i>	<i>36.0%</i>	<i>40.9%</i>	<i>25.1%</i>	<i>21.1%</i>
<b>EBITDA (adj.)* growth</b>	<b>14.2%</b>	<b>38.0%</b>	<b>65.9%</b>	<b>29.4%</b>	<b>27.2%</b>	<b>25.5%</b>
<i>EBITA (adj.)* growth</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>264.0%</i>	<i>7.9%</i>	<i>43.2%</i>	<i>39.5%</i>
<i>EBIT (adj.)* growth</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>264.0%</i>	<i>7.9%</i>	<i>43.2%</i>	<i>39.5%</i>

## Izertis: Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Net Profit growth	447.6%	-71.6%	852.4%	-32.1%	82.1%	59.1%
EPS adj. growth	440.4%	-73.8%	792.9%	-32.1%	82.1%	59.1%
DPS adj. growth						
EBITDA (adj)* margin	10.4%	11.2%	13.6%	12.5%	12.7%	13.2%
EBITA (adj)* margin	2.7%	2.6%	6.9%	5.3%	6.0%	7.0%
EBIT (adj)* margin	2.7%	2.6%	6.9%	5.3%	6.0%	7.0%
<b>RATIOS</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Net Debt/Equity	0.4	0.5	0.7	0.9	0.8	0.7
Net Debt/EBITDA	1.8	2.3	2.8	2.6	2.0	1.6
Interest cover (EBITDA/Fin.interest)	3.7	8.5	6.4	5.4	6.7	8.2
Capex/D&A	42.3%	34.5%	34.9%	19.5%	16.9%	16.3%
Capex/Sales	3.2%	3.0%	2.4%	1.4%	1.1%	1.0%
NWC/Sales	13.9%	15.6%	21.4%	16.0%	13.3%	11.3%
ROE (average)	7.0%	1.4%	9.1%	5.2%	9.2%	13.0%
ROCE (adj.)	3.9%	3.0%	6.2%	6.1%	8.1%	10.8%
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	0.4	0.3	0.7	0.7	0.9	1.2
<b>PER SHARE DATA (EUR)***</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Average diluted number of shares	21.6	23.4	25.0	25.0	25.0	25.0
EPS (reported)	0.06	0.02	0.15	0.10	0.18	0.29
EPS (adj.)	0.06	0.02	0.15	0.10	0.18	0.29
BVPS	1.09	1.43	1.94	1.92	2.10	2.40
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>VALUATION</b>	<b>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
EV/Sales	3.3	3.1	2.7	1.9	1.5	1.3
EV/EBITDA	31.7	27.6	19.6	15.2	11.9	9.5
<b>EV/EBITDA (adj.)*</b>	<b>31.7</b>	<b>27.6</b>	<b>19.6</b>	<b>15.2</b>	<b>11.9</b>	<b>9.5</b>
EV/EBITA	120.0	119.7	38.8	36.1	25.2	18.0
<b>EV/EBITA (adj.)*</b>	<b>120.0</b>	<b>119.7</b>	<b>38.8</b>	<b>36.1</b>	<b>25.2</b>	<b>18.0</b>
EV/EBIT	n.m.	n.m.	38.8	36.1	25.2	18.0
<b>EV/EBIT (adj.)*</b>	<b>n.m.</b>	<b>n.m.</b>	<b>38.8</b>	<b>36.1</b>	<b>25.2</b>	<b>18.0</b>
<b>P/E (adj.)</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>43.4</b>	<b>27.3</b>
P/BV	6.9	5.6	4.2	4.2	3.8	3.3
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	4.7	3.6	2.4	2.2	2.0	1.9
OpFCF yield	2.8%	0.5%	-0.4%	4.4%	6.3%	8.3%
OpFCF/EV	2.7%	0.5%	-0.3%	3.7%	5.3%	7.0%
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>12/2020</b>	<b>12/2021</b>	<b>12/2022</b>	<b>12/2023e</b>	<b>12/2024e</b>	<b>12/2025e</b>
Price** (EUR)	7.54	7.98	8.24	8.00	8.00	8.00
Outstanding number of shares for main stock	21.6	23.4	25.0	25.0	25.0	25.0
<b>Total Market Cap</b>	<b>162.8</b>	<b>186.8</b>	<b>205.8</b>	<b>199.8</b>	<b>199.8</b>	<b>199.8</b>
Gross Financial Debt (+)	24.7	54.5	69.6	77.3	77.5	78.0
Cash & Marketable Securities (-)	-15.0	-37.7	-35.6	-36.3	-37.0	-37.8
<b>Net Financial Debt</b>	<b>9.7</b>	<b>16.7</b>	<b>34.0</b>	<b>41.0</b>	<b>40.4</b>	<b>40.2</b>
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Debt</b>	<b>9.7</b>	<b>16.7</b>	<b>34.0</b>	<b>41.0</b>	<b>40.4</b>	<b>40.2</b>
<b>Other EV components</b>	<b>-5.5</b>	<b>-3.1</b>	<b>-3.5</b>	<b>-3.4</b>	<b>-3.4</b>	<b>-3.4</b>
<b>Enterprise Value (EV adj.)</b>	<b>167.0</b>	<b>200.4</b>	<b>236.2</b>	<b>237.4</b>	<b>236.8</b>	<b>236.6</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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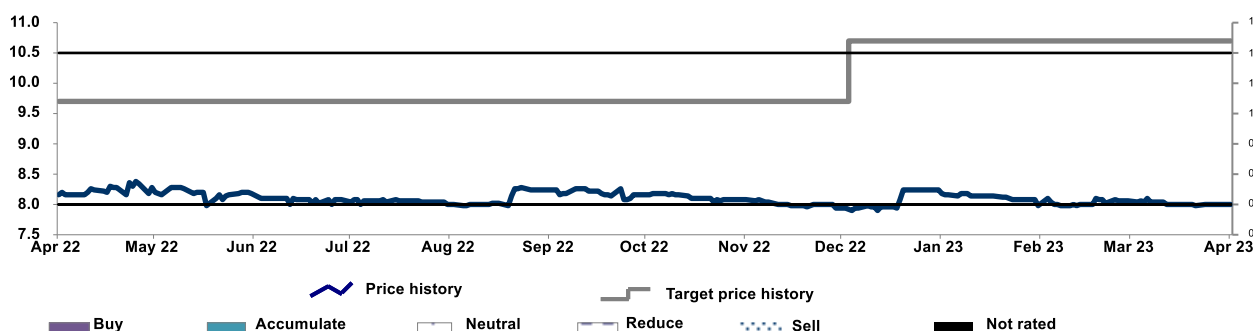
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#### Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
13-Dec-22	Buy	10.70	7.92
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.



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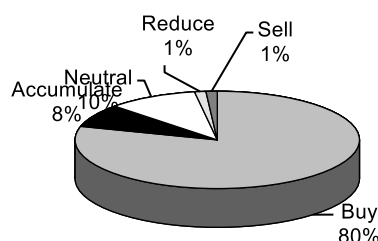
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- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
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### GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



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

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