

**EQUITY - SPAIN**

Sector: Media

Closing price: EUR 9.90 (20 Sep 2023)

Report date: 21 Sep 2023 (15:30)

**6m Results 2023 - Estimates downgrade**

Independent Equity Research

**6m Results 2023**

 Opinion <sup>(1)</sup>: Below expectations

 Impact <sup>(1)</sup>: We lower our estimates

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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 (53% of 2020 revenue) and in Latam (c. 47% of revenue).

## 1H23 earnings: Margins under a bit of (inevitable) pressure. Multiples remain low however

**Market Data**

Market Cap (Mn EUR and USD)	115.2	123.5
EV (Mn EUR and USD) <sup>(2)</sup>	117.2	125.7
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	11.65 / 10.24 / 9.08	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	2.2	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%) <sup>(7)</sup>**

LLYC Partners	54.3
Jose Antonio Llorente	15.6
Otros socios LLYC	9.1
Indumenta Pueri	7.5
Free Float	10.7

**Financials (Mn EUR)**

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	89.5	101.2	111.5	120.4
Rec. EBITDA	15.2	17.6	19.8	21.5
% growth	19.6	16.3	12.3	8.7
% Rec. EBITDA/Rev.	17.0	17.4	17.8	17.9
% Inc. EBITDA sector <sup>(4)</sup>	13.9	7.4	8.5	6.1
Net Profit	7.0	8.7	10.1	11.3
EPS (EUR)	0.60	0.75	0.86	0.97
% growth	18.6	25.3	15.4	12.1
Ord. EPS (EUR)	0.65	0.75	0.86	0.97
% growth	6.4	16.1	15.4	12.1
Rec. Free Cash Flow <sup>(5)</sup>	4.6	5.5	7.8	8.6
Pay-out (%)	21.4	17.1	23.0	23.0
DPS (EUR)	0.13	0.13	0.20	0.22
Net financial debt	-1.5	0.2	-5.3	-11.3
ND/Rec. EBITDA (x)	-0.1	0.0	-0.3	-0.5
ROE (%)	22.3	23.1	22.2	21.1
ROCE (%) <sup>(5)</sup>	27.0	26.4	25.6	26.2

**Ratios & Multiples (x) <sup>(6)</sup>**

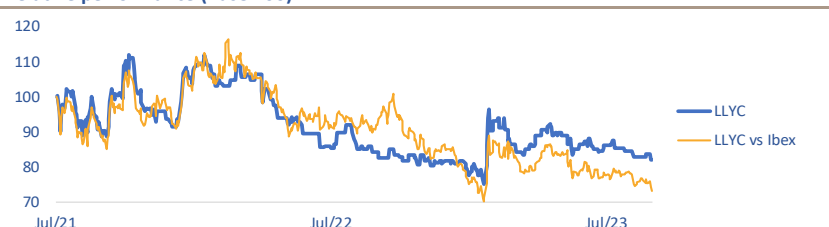
	2022	2023e	2024e	2025e
P/E	16.6	13.2	11.5	10.2
Ord. P/E	15.3	13.2	11.5	10.2
P/BV	3.4	2.8	2.3	2.0
Dividend Yield (%)	1.3	1.3	2.0	2.3
EV/Sales	1.31	1.16	1.05	0.97
EV/Rec. EBITDA	7.7	6.6	5.9	5.4
EV/EBIT	10.0	8.0	7.1	6.5
FCF Yield (%) <sup>(5)</sup>	4.0	4.8	6.8	7.5

**LLYC HAS CONFIRMED THE PRELIMINARY 1H23 RESULTS IT RELEASED IN JULY...** Key takeaways: i) slight slowdown in revenue growth (EUR 48.7Mn; +11.6% vs. 1H22); organic growth in the high single digits (+8% vs. 1H22 vs. >10% in 2022), with M&A contributing c.30% of total growth; ii) a recurring EBITDA margin of 17.4% (-1.1pp vs. 1H22) due to growth in staff costs (+17.2% vs. 1H22) to leave 1H23 EBITDA at EUR 8.5Mn (vs. EUR 8.1Mn in 1H22). The BAM acquisition (see page 3) has had the effect of increasing net debt to EUR 3.6Mn at the June close.

**...ALTHOUGH THE CURRENT ENVIRONMENT AND INFLATIONARY PRESSURES ARE WEIGHING ON MARGINS.** Particularly on staff costs, which increased to 52.8% of revenue in 1H23 (+25pp vs. 1H22), undermining the EBITDA margin, shaped mainly by: i) the integration of BAM; and ii) temporarily excessive fixed costs relative to LLYC's current growth. Below the EBITDA line, finance costs were negatively impacted by exchange rate movements (exchange losses accounted for 46% of finance costs), exerting pressure on net profit (EUR 4.2Mn vs. EUR 3.8Mn in 1S22; +9.1%).

**PROMPTING US TO FINE-TUNE OUR ESTIMATES.** Despite the partial recovery in profitability in 1H23 (+2.0pp) from 2H22 (recurring EBITDA margin 2H22: 15.4%), the 1H23 results have prompted us to trim our estimates for 2023. Our new baseline scenario calls for 2023e revenue of EUR 101.2Mn (-3.1% vs. our prior estimate) and recurring EBITDA of EUR 17.6Mn (-7.7% vs. our prior estimate). We are now forecasting a recurring EBITDA margin of 17.4% in 2023e (down from 18.3%).

**NEVERTHELESS, THE COMPANY'S FUNDAMENTALS AND EQUITY STORY REMAIN INTACT (PROFITABLE GROWTH):** LLYC has an excellent track record in defending its profitability in adverse situations. We think the company will consolidate its margin at around the level we are forecasting for 23e: EBITDA margin of 17.4% (c.18% 2024e-2025e). Moreover, the BAM acquisition has lifted the company's presence in the US by 78% (vs. 1H22) and locked in its ability to outgrow its comps in 2023e (-8.8% for the major advertising agencies and +0.1% for the communications agencies in 2023e). LLYC is currently trading at an EV/EBITDA multiple of 6.6x and a P/E of 13.2x (below its advertising agency comps - EV/EBITDA of 7.5x and P/E of 9.7x - and comparable communications agencies - EV/EBITDA of 8.2x and P/E of 14.0x).

**Relative performance (Base 100)**


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-2.9	-5.4	-2.6	0.3	n.a.	n.a.
vs Ibex 35	-6.7	-7.4	-20.5	-14.4	n.a.	n.a.
vs Ibex Small Cap Index	-1.7	-5.3	-10.6	-8.3	n.a.	n.a.
vs Eurostoxx 50	-4.4	-3.9	-21.1	-11.0	n.a.	n.a.
vs Sector benchmark <sup>(4)</sup>	-8.8	-9.2	-20.6	-12.2	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 2.8%, Alejandro Romero 5.2%, Luisa Garcia 2.1%, Adolfo Corujo 1.8%

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

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This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

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## LLYC is a BME Growth company

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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. 140 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 2023

### Estimates downgrade

### Table 1. 1H23 Results

EUR Mn	6m23 Real	6m22	6m23 Real vs		2023e vs
			6m22	2023e	2022 Real
<b>Total Revenues</b>	<b>48.7</b>	<b>43.6</b>	<b>11.6%</b>	<b>101.2</b>	<b>13.1%</b>
<b>Operating revenues<sup>(1)</sup></b>	<b>39.9</b>	<b>35.6</b>	<b>12.3%</b>	<b>83.3</b>	<b>14.6%</b>
<i>Gross Margin/Revenues</i>	<i>82.0%</i>	<i>81.6%</i>	<i>0.5 p.p.</i>	<i>82.3%</i>	<i>1.0 p.p.</i>
<b>Recurrent EBITDA</b>	<b>8.5</b>	<b>8.1</b>	<b>4.8%</b>	<b>17.6</b>	<b>16.3%</b>
<i>Rec. EBITDA/Revenues</i>	<i>17.4%</i>	<i>18.6%</i>	<i>-1.1 p.p.</i>	<i>17.4%</i>	<i>0.5 p.p.</i>
<b>EBITDA</b>	<b>8.3</b>	<b>7.8</b>	<b>6.9%</b>	<b>17.6</b>	<b>22.5%</b>
<i>EBITDA/Revenues</i>	<i>17.1%</i>	<i>17.9%</i>	<i>-0.8 p.p.</i>	<i>17.4%</i>	<i>-0.3 p.p.</i>
<b>EBIT</b>	<b>7.1</b>	<b>6.1</b>	<b>16.8%</b>	<b>14.6</b>	<b>24.8%</b>
<b>PBT</b>	<b>6.1</b>	<b>5.6</b>	<b>9.1%</b>	<b>13.5</b>	<b>31.3%</b>
<b>NP</b>	<b>4.2</b>	<b>3.8</b>	<b>9.1%</b>	<b>8.7</b>	<b>25.3%</b>
		<b>12m22</b>			
<b>Net Debt/Net Cash</b>	3.6	-1.5	333.5%	0.2	<i>n.a</i>

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

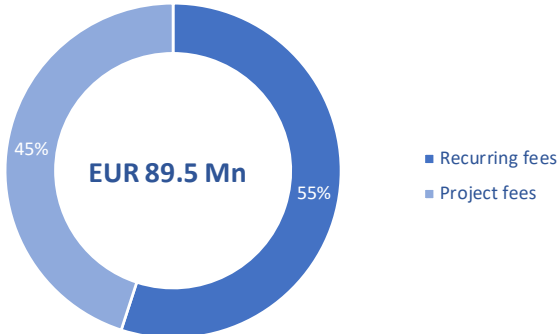
**BAM:** LLYC reached an agreement to acquire 80% of BAM on March 31<sup>st</sup>, 2023. Based in San Diego, California, BAM is a communications agency specialising in public relations and marketing, that provides services to start-ups and tech companies backed by venture capital. We expect it to contribute revenue of EUR 6.4Mn (EUR 8.5Mn proforma; 9.5% of 2022 revenue) and EBITDA of c. EUR 1.5Mn (EUR 2Mn proforma) to LLYC's scope of consolidation. A deal we expect that make the U.S. LLYC's third largest market by revenue, behind only Spain and Mexico. See full note [here](#).

### Table 2. Estimates Downgrade

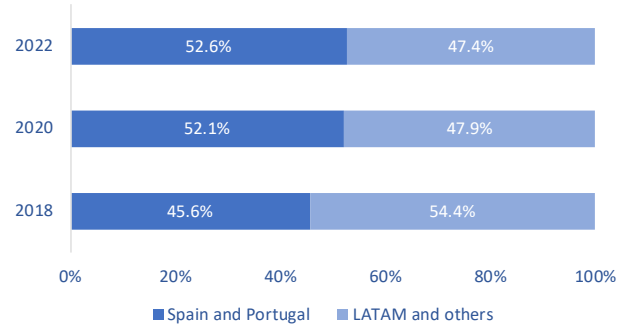
EUR Mn	2023e (New)	2023e	Review (%)	2024e (New)	2024e	Review (%)	2025e (New)	2025e	Review (%)
<b>Total Revenues</b>	<b>101.2</b>	<b>104.4</b>	<b>-3.1%</b>	<b>111.5</b>	<b>115.9</b>	<b>-3.8%</b>	<b>120.4</b>	<b>126.2</b>	<b>-4.6%</b>
<b>Recurrent EBITDA</b>	<b>17.6</b>	<b>19.1</b>	<b>-7.7%</b>	<b>19.8</b>	<b>21.5</b>	<b>-7.9%</b>	<b>21.5</b>	<b>23.7</b>	<b>-9.1%</b>
<i>Rec. EBITDA/Revenues</i>	<i>17.4%</i>	<i>18.3%</i>	<i>-1 p.p.</i>	<i>17.8%</i>	<i>18.6%</i>	<i>-1 p.p.</i>	<i>17.9%</i>	<i>18.8%</i>	<i>-1 p.p.</i>
<b>EBIT</b>	<b>14.6</b>	<b>16.0</b>	<b>-8.6%</b>	<b>16.5</b>	<b>17.9</b>	<b>-7.7%</b>	<b>18.2</b>	<b>20.0</b>	<b>-9.2%</b>
<b>Net Profit</b>	<b>8.7</b>	<b>9.7</b>	<b>-10.3%</b>	<b>10.1</b>	<b>10.9</b>	<b>-7.8%</b>	<b>11.3</b>	<b>12.4</b>	<b>-8.8%</b>
<b>Recurrent Free Cash Flo</b>	<b>5.5</b>	<b>6.3</b>	<b>-12.4%</b>	<b>7.8</b>	<b>8.8</b>	<b>-11.4%</b>	<b>8.6</b>	<b>9.8</b>	<b>-11.8%</b>
<i>ND / EBITDA</i>	<i>0.0 x</i>	<i>0.2 x</i>	<i>-0.2 x</i>	<i>-0.3 x</i>	<i>-0.2 x</i>	<i>-0.1 x</i>	<i>-0.5 x</i>	<i>-0.5 x</i>	<i>-0.1 x</i>

**The company in 8 charts**

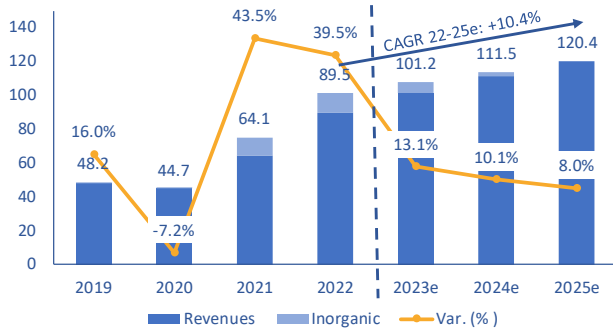
**LLYC's business enjoys a (broad) base of recurring revenue (c. 55% of total revenue in 2022)...**



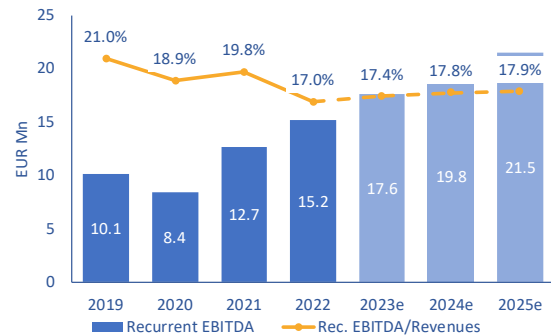
**... and a global footprint (with significant exposure to emerging markets)**



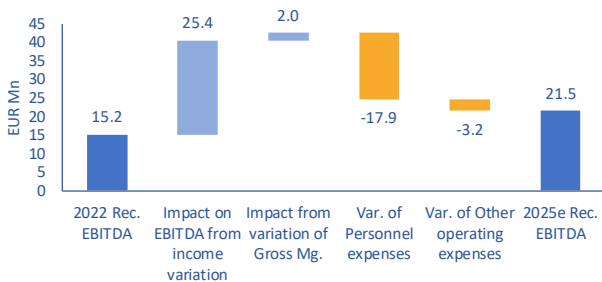
**A diversified and recurring service offering that leaves scope for continued growth (revenue: CAGR 22-25e: +10.4%)**



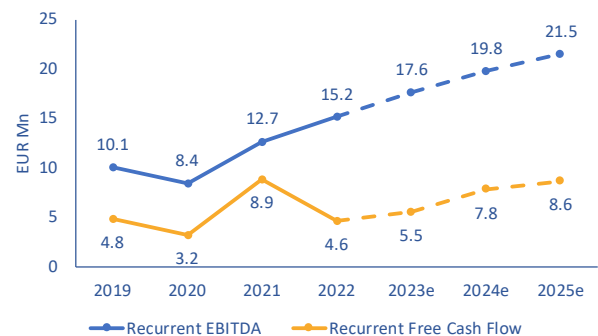
**Without losing sight of the "focus" on profitability (EBITDA margin of 18%)**



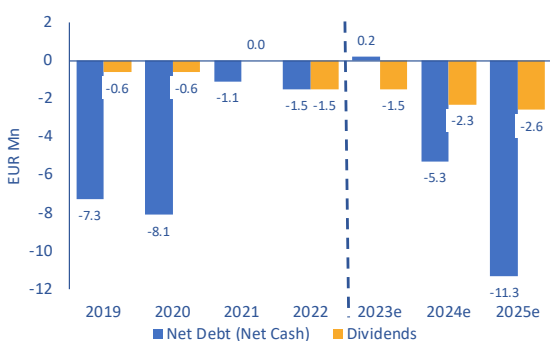
**... And allowing the revenue improvement to be passed on to EBITDA (22-25e CAGR 12%)**



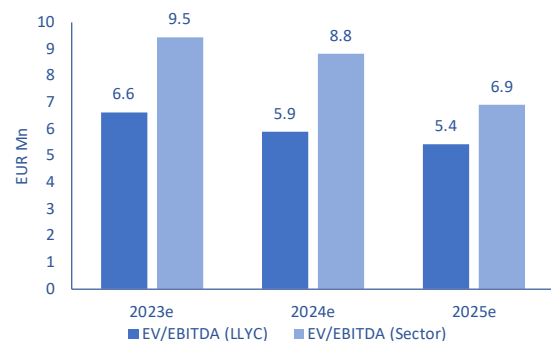
**High cash generation capacity (FCF yield 2023e: c. 5%)**



**And a very robust balance sheet position (net cash) could facilitate the search for inorganic growth**



**With low multiples within reach (EV/EBITDA 2023e 6.6x vs. 9.5x)**



## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	0.5	8.5	9.1	122.9		
Market Cap	115.2	At the date of this report				
Net financial debt	3.6	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.8%	4.3%
Tax rate (T)	30.0%	T (Normalised tax rate)			=	=
Net debt cost	2.8%	Kd = Cost of Net Debt * (1-T)			2.6%	3.0%
Risk free rate (rf)	3.8%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	9.8%	Ke = Rf + (R * B)			8.7%	10.9%
Equity / (Equity + Net Debt)	97.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	3.0%	D			=	=
WACC	9.6%	WACC = Kd * D + Ke * E			8.5%	10.7%
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
WPP-GB	WPP-GB	9,324.3	7.9	7.3%	6.7	3.5%	1.2	3.0%	17.8%	9.9%	24.0%
Publicis	PUB-FR	18,315.5	10.6	4.1%	7.2	3.4%	1.6	3.3%	22.1%	9.3%	8.7%
Omnicom	OMC-US	13,795.6	10.2	6.9%	8.0	4.9%	1.3	3.6%	16.4%	11.2%	7.2%
Interpublic	IPG-US	10,708.3	10.2	5.4%	8.2	5.0%	1.5	5.8%	18.5%	9.9%	7.6%
Media			9.7	5.9%	7.5	4.2%	1.4	3.9%	18.7%	10.0%	11.9%
FTI Consulting	FCN-US	5,791.9	27.3	21.3%	17.2	n.a.	2.0	6.5%	11.4%	n.a.	n.a.
Next Fifteen	NFG-GB	698.6	7.1	8.2%	4.4	7.1%	1.0	6.2%	23.6%	14.7%	12.5%
Hopscotch Group	ALHOP-FR	44.1	7.7	9.8%	2.9	6.5%	0.2	3.0%	5.7%	26.3%	3.0%
Communication Agencies			12.3	11.9%	7.2	6.9%	1.0	5.5%	16.1%	18.6%	9.3%
LLYC	LLYC-ES	115.2	13.2	13.7%	6.6	10.5%	1.2	9.0%	17.4%	4.8%	n.a.

### 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	18.7%	20.8	5.6x
Central	17.8%	19.8	5.9x
Min	16.9%	18.8	6.2x

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

Rec. FCF EUR Mn	CAPEX/Sales 24e			➔	Rec. FCF/Yield 24e		
EBITDA 24e	2.5%	2.8%	3.1%		Scenario	Rec. FCF/Yield 24e	
20.8	9.2	8.8	8.5		Max	8.0%	7.4%
19.8	8.2	7.8	7.5		Central	7.1%	6.5%
18.8	7.2	6.8	6.5		Min	6.2%	5.6%

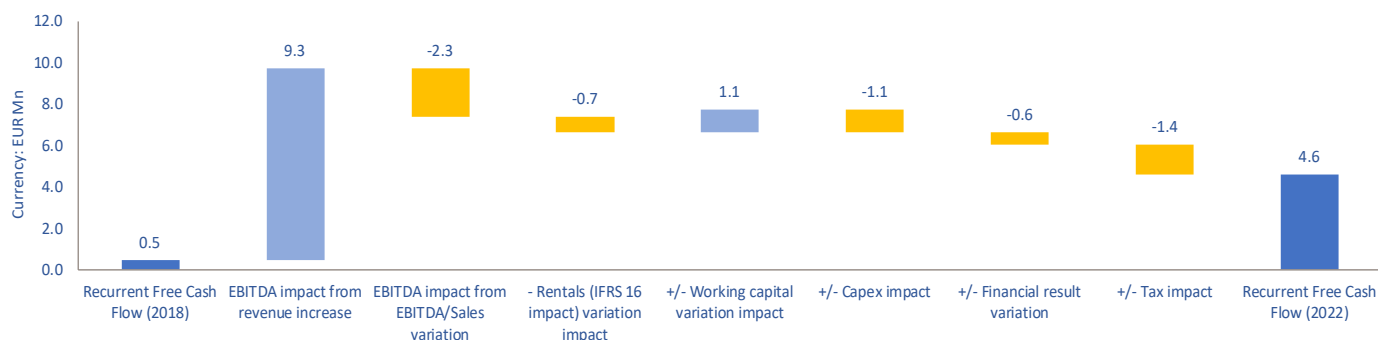
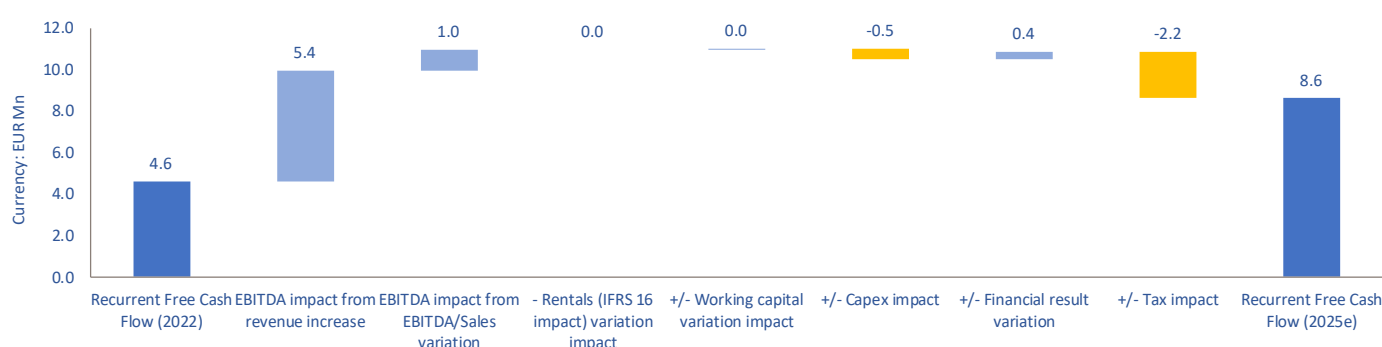
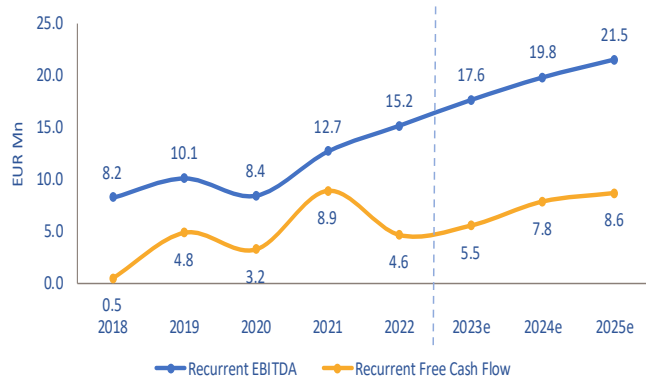
## Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	1.8	10.5	10.2	12.7	13.1	14.0	15.0	16.0		
Fixed assets	3.3	1.4	2.4	2.3	2.2	9.0	10.0	10.8		
Other Non Current Assets	1.8	2.0	2.0	2.7	2.5	2.5	2.5	2.5		
Financial Investments	-	-	-	-	-	-	-	-		
Goodwill & Other Intangibles	3.3	2.9	3.4	15.3	18.1	18.1	18.1	18.1		
Current assets	14.4	16.4	13.3	22.1	22.9	25.3	27.4	28.0		
<b>Total assets</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>58.9</b>	<b>69.0</b>	<b>73.0</b>	<b>75.4</b>		
Equity	16.8	22.0	20.9	28.2	34.2	41.4	49.2	57.9		
Minority Interests	3.7	3.5	3.4	1.2	1.1	1.9	2.7	3.7		
Provisions & Other L/T Liabilities	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
Other Non Current Liabilities	-	5.3	6.2	8.1	7.4	7.4	7.4	7.4		
Net financial debt	(4.6)	(7.3)	(8.1)	(1.1)	(1.5)	0.2	(5.3)	(11.3)		
Current Liabilities	8.1	9.6	8.7	18.8	17.7	18.0	19.0	17.8		
<b>Equity &amp; Total Liabilities</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>58.9</b>	<b>69.0</b>	<b>73.0</b>	<b>75.4</b>		
<b>P&amp;L (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Total Revenues</b>	<b>41.5</b>	<b>48.2</b>	<b>44.7</b>	<b>64.1</b>	<b>89.5</b>	<b>101.2</b>	<b>111.5</b>	<b>120.4</b>	<b>21.2%</b>	<b>10.4%</b>
<i>Total Revenues growth</i>	7.2%	16.0%	-7.2%	43.5%	39.5%	13.1%	10.1%	8.0%		
COGS	(5.1)	(7.2)	(6.6)	(10.9)	(16.8)	(17.9)	(19.0)	(20.2)		
<b>Gross Margin</b>	<b>36.5</b>	<b>40.9</b>	<b>38.1</b>	<b>53.3</b>	<b>72.7</b>	<b>83.3</b>	<b>92.5</b>	<b>100.1</b>	<b>18.8%</b>	<b>11.2%</b>
<i>Gross Margin/Revenues</i>	87.8%	85.0%	85.3%	83.1%	81.3%	82.3%	83.0%	83.2%		
Personnel Expenses	(22.2)	(24.6)	(24.3)	(31.6)	(45.9)	(52.8)	(58.8)	(63.8)		
Other Operating Expenses	(6.0)	(6.2)	(5.4)	(9.0)	(11.7)	(12.9)	(13.9)	(14.8)		
<b>Recurrent EBITDA</b>	<b>8.2</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.5%</b>	<b>12.4%</b>
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	19.6%	16.3%	12.3%	8.7%		
<i>Rec. EBITDA/Revenues</i>	19.9%	21.0%	18.9%	19.8%	17.0%	17.4%	17.8%	17.9%		
Restructuring Expense & Other non-rec.	(0.5)	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
<b>EBITDA</b>	<b>7.8</b>	<b>10.1</b>	<b>8.1</b>	<b>11.2</b>	<b>14.4</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.7%</b>	<b>14.4%</b>
Depreciation & Provisions	(1.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.8)	(2.1)	(2.3)		
Capitalized Expense	-	-	-	-	0.8	0.9	1.0	1.1		
Rentals (IFRS 16 impact)	(1.4)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
<b>EBIT</b>	<b>4.7</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>11.7</b>	<b>14.6</b>	<b>16.5</b>	<b>18.2</b>	<b>25.7%</b>	<b>15.8%</b>
<i>EBIT growth</i>	-9.2%	66.5%	-25.3%	45.9%	37.6%	24.8%	13.2%	10.0%		
<i>EBIT/Revenues</i>	11.3%	16.2%	13.0%	13.2%	13.0%	14.4%	14.8%	15.1%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.5)	(0.7)	(0.6)	(1.4)	(1.0)	(0.9)	(0.7)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>10.3</b>	<b>13.5</b>	<b>15.6</b>	<b>17.5</b>	<b>25.0%</b>	<b>19.3%</b>
<i>Ordinary Profit Growth</i>	-3.7%	73.1%	-29.6%	54.4%	29.9%	31.3%	15.4%	12.1%		
Extraordinary Results	-	-	-	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>10.3</b>	<b>13.5</b>	<b>15.6</b>	<b>17.5</b>	<b>25.0%</b>	<b>19.3%</b>
Tax Expense	(1.6)	(2.2)	(2.2)	(2.4)	(2.9)	(4.1)	(4.7)	(5.2)		
<i>Effective Tax Rate</i>	37.3%	29.9%	42.5%	30.4%	28.3%	30.0%	30.0%	30.0%		
Minority Interests	(0.9)	(0.9)	(0.7)	(0.2)	(0.4)	(0.8)	(0.9)	(1.0)		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>1.8</b>	<b>4.3</b>	<b>2.3</b>	<b>5.3</b>	<b>7.0</b>	<b>8.7</b>	<b>10.1</b>	<b>11.3</b>	<b>40.6%</b>	<b>17.5%</b>
<i>Net Profit growth</i>	20.0%	138.7%	-46.6%	134.6%	30.6%	25.3%	15.4%	12.1%		
<b>Ordinary Net Profit</b>	<b>2.4</b>	<b>4.3</b>	<b>3.1</b>	<b>6.4</b>	<b>7.5</b>	<b>8.7</b>	<b>10.1</b>	<b>11.3</b>	<b>32.7%</b>	<b>14.5%</b>
<i>Ordinary Net Profit growth</i>	-9.1%	76.8%	-26.9%	105.1%	17.1%	16.1%	15.4%	12.1%		
<b>Cash Flow (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Recurrent EBITDA</b>						<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.5%</b>	<b>12.4%</b>
Rentals (IFRS 16 impact)						(2.1)	(2.1)	(2.1)		
Working Capital Increase						(2.0)	(1.1)	(1.8)		
<b>Recurrent Operating Cash Flow</b>						<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>30.2%</b>	<b>16.3%</b>
CAPEX						(2.8)	(3.1)	(3.0)		
Net Financial Result affecting the Cash Flow						(1.0)	(0.9)	(0.7)		
Tax Expense						(4.1)	(4.7)	(5.2)		
<b>Recurrent Free Cash Flow</b>						<b>5.5</b>	<b>7.8</b>	<b>8.6</b>	<b>77.6%</b>	<b>23.2%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(5.8)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(0.3)</b>	<b>7.8</b>	<b>8.6</b>	<b>75.4%</b>	<b>30.9%</b>
Capital Increase						-	-	-		
Dividends						(1.5)	(2.3)	(2.6)		
<b>Net Debt Variation</b>						<b>1.8</b>	<b>(5.5)</b>	<b>(6.0)</b>		

## Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
<b>Recurrent EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>14.5%</b>	<b>12.4%</b>
<i>Recurrent EBITDA growth</i>	22.6%	-16.4%	50.2%	19.6%	16.3%	12.3%	8.7%		
<i>Rec. EBITDA/Revenues</i>	21.0%	18.9%	19.8%	17.0%	17.4%	17.8%	17.9%		
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(2.0)	(1.1)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>11.7%</b>	<b>16.3%</b>
<i>Rec. Operating Cash Flow growth</i>	106.6%	15.7%	34.1%	-10.2%	20.5%	22.8%	6.4%		
<i>Rec. Operating Cash Flow / Sales</i>	16.6%	20.8%	19.4%	12.5%	13.3%	14.8%	14.6%		
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.7)	(0.6)	(1.0)	(1.0)	(0.9)	(0.7)		
- Taxes	(2.2)	(2.2)	(1.6)	(3.0)	(4.1)	(4.7)	(5.2)		
<b>= Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.8</b>	<b>8.6</b>	<b>-1.5%</b>	<b>23.2%</b>
<i>Rec. Free Cash Flow growth</i>	938.8%	-33.2%	174.4%	-47.8%	19.4%	41.8%	10.4%		
<i>Rec. Free Cash Flow / Revenues</i>	10.0%	7.2%	13.8%	5.2%	5.5%	7.0%	7.2%		
- Restructuring expenses & others	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(5.8)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow</b>	<b>4.8</b>	<b>0.7</b>	<b>(9.0)</b>	<b>3.9</b>	<b>(0.3)</b>	<b>7.8</b>	<b>8.6</b>	<b>-7.0%</b>	<b>30.9%</b>
<i>Free Cash Flow growth</i>	n.a.	-84.5%	n.a.	142.7%	-106.8%	n.a.	10.4%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	4.2%	2.8%	7.7%	4.0%	4.8%	6.8%	7.5%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	4.2%	0.6%	n.a.	3.3%	n.a.	6.8%	7.5%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e		
<b>Recurrent FCF(FY - 1)</b>	<b>0.5</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.8</b>		
EBITDA impact from revenue increase	1.3	(0.7)	3.7	5.0	2.0	1.8	1.6		
EBITDA impact from EBITDA/Sales variation	0.5	(0.9)	0.6	(2.5)	0.5	0.4	0.1		
<b>= Recurrent EBITDA variation</b>	<b>1.9</b>	<b>(1.7)</b>	<b>4.2</b>	<b>2.5</b>	<b>2.5</b>	<b>2.2</b>	<b>1.7</b>		
- Rentals (IFRS 16 impact) variation impact	(0.1)	0.2	(0.2)	(0.6)	-	-	-		
+/- Working capital variation impact	2.4	2.7	(0.9)	(3.2)	(0.2)	0.9	(0.7)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>4.1</b>	<b>1.3</b>	<b>3.2</b>	<b>(1.3)</b>	<b>2.3</b>	<b>3.1</b>	<b>1.1</b>		
+/- CAPEX impact	0.9	(2.7)	1.7	(1.0)	(0.3)	(0.3)	0.1		
+/- Financial result variation	(0.0)	(0.2)	0.1	(0.5)	(0.0)	0.2	0.2		
+/- Tax impact	(0.6)	(0.0)	0.6	(1.5)	(1.0)	(0.6)	(0.6)		
<b>= Recurrent Free Cash Flow variation</b>	<b>4.4</b>	<b>(1.6)</b>	<b>5.6</b>	<b>(4.2)</b>	<b>0.9</b>	<b>2.3</b>	<b>0.8</b>		
<b>Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.8</b>	<b>8.6</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
<b>EBIT</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>11.7</b>	<b>14.6</b>	<b>16.5</b>	<b>18.2</b>	<b>14.5%</b>	<b>15.8%</b>
* Theoretical Tax rate	29.9%	30.0%	30.0%	28.3%	30.0%	30.0%	30.0%		
= Taxes (pre- Net Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.4)	(5.0)	(5.4)		
<b>Recurrent EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>14.5%</b>	<b>12.4%</b>
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(2.0)	(1.1)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>11.7%</b>	<b>16.3%</b>
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
- Taxes (pre- Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.4)	(5.0)	(5.4)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>5.2</b>	<b>4.3</b>	<b>8.4</b>	<b>5.4</b>	<b>6.3</b>	<b>8.5</b>	<b>9.1</b>	<b>1.2%</b>	<b>19.3%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	372.3%	-15.9%	93.7%	-36.4%	16.8%	35.2%	7.6%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	10.7%	9.7%	13.1%	6.0%	6.2%	7.6%	7.6%		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(5.8)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>5.2</b>	<b>2.2</b>	<b>(8.0)</b>	<b>5.4</b>	<b>0.5</b>	<b>8.5</b>	<b>9.1</b>	<b>1.2%</b>	<b>19.3%</b>
<i>Free Cash Flow (To the Firm) growth</i>	243.2%	-58.1%	-467.7%	167.3%	-91.2%	n.a.	7.6%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	4.4%	3.7%	7.2%	4.6%	5.3%	7.2%	7.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.4%	1.8%	n.a.	4.6%	0.4%	7.2%	7.8%		



**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	115.2	
+ Minority Interests	1.8	6m Results 2023
+ Provisions & Other L/T Liabilities	-	6m Results 2023
+ Net financial debt	3.6	6m Results 2023
- Financial Investments	-	6m Results 2023
+/- Others <sup>(1)</sup>	(3.3)	6m Results 2023
<b>Enterprise Value (EV)</b>	<b>117.2</b>	

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



## Appendix 4. Historical performance <sup>(1)</sup>

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	-	-	-	-	34.4	38.7	41.5	48.2	44.7	64.1	89.5	101.2	111.5	120.4	n.a.	10.4%
Total Revenues growth	n.a.	n.a.	n.a.	n.a.	n.a.	12.5%	7.2%	16.0%	-7.2%	43.5%	39.5%	13.1%	10.1%	8.0%		
EBITDA	-	-	-	-	5.2	8.0	7.8	10.1	8.1	11.2	14.4	17.6	19.8	21.5	n.a.	14.4%
EBITDA growth	n.a.	n.a.	n.a.	n.a.	n.a.	51.8%	-2.3%	29.5%	-19.1%	37.3%	28.9%	22.5%	12.3%	8.7%		
EBITDA/Sales	n.a.	n.a.	n.a.	n.a.	15.2%	20.5%	18.7%	20.9%	18.2%	17.4%	16.1%	17.4%	17.8%	17.9%		
Net Profit	-	-	-	-	1.8	1.5	1.8	4.3	2.3	5.3	7.0	8.7	10.1	11.3	n.a.	17.5%
Net Profit growth	n.a.	n.a.	n.a.	n.a.	n.a.	-19.5%	20.0%	138.7%	-46.6%	134.6%	30.6%	25.3%	15.4%	12.1%		
Adjusted number shares (Mn)	-	-	-	-	10.6	10.6	10.6	10.6	10.6	10.6	11.6	11.6	11.6	11.6		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	0.17	0.14	0.17	0.40	0.21	0.50	0.60	0.75	0.86	0.97	n.a.	17.5%
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	-19.5%	20.0%	n.a.	-46.6%	n.a.	18.6%	25.3%	15.4%	12.1%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	0.19	0.15	0.23	0.40	0.30	0.61	0.65	0.75	0.86	0.97	n.a.	14.5%
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	-22.1%	52.5%	76.8%	-26.9%	n.a.	6.4%	16.1%	15.4%	12.1%		
CAPEX	-	-	-	-	-	(1.8)	(1.4)	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
CAPEX/Sales %	n.a.	n.a.	n.a.	n.a.	0.0%	4.7%	3.3%	1.1%	7.1%	2.3%	2.8%	2.8%	2.8%	2.5%		
Free Cash Flow	-	-	-	-	-	2.6	0.4	4.8	0.7	(9.0)	3.9	(0.3)	7.8	8.6	n.a.	30.9%
ND/EBITDA (x) <sup>(2)</sup>	n.a.	n.a.	n.a.	n.a.	-0.9x	-0.7x	-0.6x	-0.7x	-1.0x	-0.1x	-0.1x	0.0x	-0.3x	-0.5x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.2x	11.5x	10.2x		
EV/Sales (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.16x	1.05x	0.97x		
EV/EBITDA (x) <sup>(2)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.6x	5.9x	5.4x		
Absolute performance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-11.9%	0.3%			
Relative performance vs Ibx 35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.8%	-14.4%			

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

		Media				Communication Agencies					
EUR Mn		WPP-GB	Publicis	Omnicom	Interpublic	Average	FTI Consulting	Next Fifteen	Hopscotch Group	Average	LLYC
Market data	Ticker (Factset)	WPP-GB	PUB-FR	OMC-US	IPG-US		FCN-US	NFG-GB	ALHOP-FR		LLYC-ES
	Country	UK	France	USA	USA		USA	UK	France		Spain
Market data	Market cap	9,324.3	18,315.5	13,795.6	10,708.3		5,791.9	698.6	44.1		115.2
	Enterprise value (EV)	16,369.9	20,502.1	18,002.6	13,628.6		6,157.1	717.2	43.4		117.2
Basic financial information	Total Revenues	13,830.0	12,974.0	13,633.1	8,987.9		3,136.9	695.3	261.3		101.2
	Total Revenues growth	-17.1%	-8.6%	2.3%	-11.8%	-8.8%	11.0%	-16.6%	5.9%	0.1%	13.1%
	2y CAGR (2023e - 2025e)	3.0%	3.3%	3.6%	5.8%	3.9%	6.5%	6.2%	3.0%	5.3%	9.0%
	EBITDA	2,459.3	2,862.0	2,237.0	1,661.8		357.9	164.4	14.9		17.6
	EBITDA growth	-2.3%	-0.7%	-0.8%	1.4%	-0.6%	7.2%	5.7%	11.1%	8.0%	22.5%
	2y CAGR (2023e - 2025e)	3.5%	3.4%	4.9%	5.0%	4.2%	n.a.	7.1%	6.5%	6.8%	10.5%
	EBITDA/Revenues	17.8%	22.1%	16.4%	18.5%	18.7%	11.4%	23.6%	5.7%	13.6%	17.4%
	EBIT	2,054.3	2,293.8	2,059.4	1,423.4		311.5	148.1	9.9		14.6
	EBIT growth	5.4%	11.3%	0.5%	2.8%	5.0%	6.9%	31.8%	4.3%	14.3%	24.8%
	2y CAGR (2023e - 2025e)	5.2%	3.8%	5.0%	4.9%	4.7%	17.2%	7.5%	9.2%	11.3%	11.6%
	EBIT/Revenues	14.9%	17.7%	15.1%	15.8%	15.9%	9.9%	21.3%	3.8%	11.7%	14.4%
	Net Profit	1,207.9	1,517.3	1,374.3	1,033.3		222.0	55.3	5.5		8.7
	Net Profit growth	53.0%	24.2%	11.9%	18.1%	26.8%	1.1%	n.a.	0.2%	0.6%	25.3%
	2y CAGR (2023e - 2025e)	6.4%	5.8%	5.1%	4.2%	5.4%	18.7%	17.4%	10.4%	15.5%	13.7%
CAPEX/Sales %	2.2%	2.1%	0.7%	1.9%	1.7%	n.a.	1.1%	0.3%	0.7%	2.8%	
Free Cash Flow	922.7	1,697.8	1,538.5	1,058.2		n.a.	103.0	11.6		(0.3)	
Net financial debt	4,099.5	(17.7)	742.7	154.0		n.a.	44.3	(18.5)		0.2	
ND/EBITDA (x)	1.7	n.a.	0.3	0.1	0.7	n.a.	0.3	n.a.	0.3	0.0	
Pay-out	41.2%	52.0%	40.4%	44.2%	44.5%	n.a.	33.5%	23.9%	28.7%	17.1%	
Multiples and Ratios	P/E (x)	7.9	10.6	10.2	10.2	9.7	27.3	7.1	7.7	14.0	13.2
	P/BV (x)	1.9	1.8	4.1	2.9	2.7	n.a.	n.a.	1.8	1.8	2.8
	EV/Revenues (x)	1.2	1.6	1.3	1.5	1.4	2.0	1.0	0.2	1.1	1.2
	EV/EBITDA (x)	6.7	7.2	8.0	8.2	7.5	17.2	4.4	2.9	8.2	6.6
	EV/EBIT (x)	8.0	8.9	8.7	9.6	8.8	19.8	4.8	4.4	9.7	8.0
	ROE	24.5	16.6	40.1	28.6	27.5	n.a.	n.a.	23.2	23.2	23.1
	FCF Yield (%)	9.9	9.3	11.2	9.9	10.0	n.a.	14.7	26.3	20.5	4.8
	DPS	0.45	3.14	2.70	1.17	1.87	n.a.	0.19	0.50	0.35	0.13
	Dvd Yield	5.2%	4.4%	3.9%	4.2%	4.4%	n.a.	2.7%	3.1%	2.9%	1.3%

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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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
21-Sep-2023	n.a.	9.90	n.a.	n.a.	6m Results 2023 - Estimates downgrade	Luis Esteban Arribas
27-Jul-2023	n.a.	10.40	n.a.	n.a.	6m 2023 Preliminary results	Luis Esteban Arribas
12-Jun-2023	n.a.	10.27	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
31-Mar-2023	n.a.	10.17	n.a.	n.a.	Important news - Estimates upgrade	Luis Esteban Arribas
09-Mar-2023	n.a.	11.35	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
25-Jan-2023	n.a.	9.50	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas
21-Sep-2022	n.a.	10.17	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
22-Jul-2022	n.a.	10.32	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.67	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.58	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.21	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

