

Company Flash Note

Reason: Company results (post view)

10 April 2024

Buy

Recommendation unchanged

Share price: EUR 8.40

closing price as of 09/04/2024

Target price: EUR 11.50

from Target Price: EUR 11.50

Upside/Downside Potential 37.0%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 222

Current N° of shares (m) 26

Free float 32%

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

Daily avg. trad. vol. 12 mth (k) 143.98

Price high/low 12 months 9.18 / 7.56

Abs Perfs 1/3/12 mths (%) -4.55/-7.69/5.00

Key financials (EUR) 12/23 12/24e 12/25e

Sales (m) 117 156 189

EBITDA (m) 19 24 29

EBITDA margin 15.9% 15.2% 15.3%

EBIT (m) 10 13 17

EBIT margin 8.8% 8.5% 9.0%

Net Profit (adj.)(m) 5 6 9

ROCE 6.9% 8.3% 10.3%

Net debt/(cash) (m) 53 57 56

Net Debt Equity 0.7 0.7 0.6

Net Debt/EBITDA 2.8 2.4 1.9

Int. cover(EBITDA/Fin.int) 4.5 5.2 6.0

EV/Sales 2.5 1.8 1.5

EV/EBITDA 15.7 11.6 9.5

EV/EBITDA (adj.) 15.7 11.6 9.5

EV/EBIT 28.3 20.8 16.1

P/E (adj.) 48.4 35.2 24.7

P/BV 3.3 2.8 2.6

OpFCF yield 0.8% 6.0% 7.7%

Dividend yield 0.0% 0.0% 0.0%

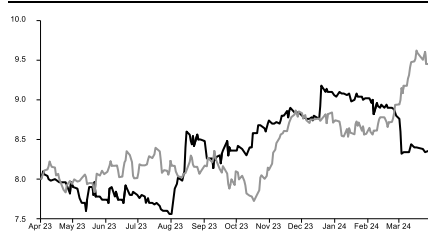
EPS (adj.) 0.19 0.24 0.34

BVPS 2.75 2.96 3.28

DPS 0.00 0.00 0.00

Shareholders

Laren Capital, S.L.U. 52%; Management Team 14%; Autocartera 2%;



Source: FactSet

—— IZERTIS ——— IBEX 35 (Rebased)

Analyst(s)

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FY23 results: In the right direction

This morning, the company presented its 2023 annual results together with the audit, which are in line with our estimates, confirming the good growth trends observed and maintaining a clear commitment to improving margins, which grew significantly throughout the year. The company maintains its plans for 2027 announced in its Strategic Plan, which we believe will be amply exceeded, given the company's recent evolution and future forecasts.

- ✓ Annual revenues reached EUR121.3m, up +31.5% year-on-year (+14.3% in organic terms), confirming the good trends shown in the first half of the year and demonstrating its ability to efficiently integrate the acquisitions made.
- ✓ Additionally, the company's focus on higher value-added activities was confirmed with strong growth in gross margin (+3pp vs. FY22) and normalized EBITDA margin (+2.3pp vs. FY22).
- ✓ By business line, the strongest growth was in IT Governance (+33%), Enterprise IT Security (+41%) and Software Engineering (+73%), driven both by acquisitions made during the year and by the increased demand for these services.
- ✓ EBIT reached EUR9.8m with a margin increase of +1.3pp to 8.1%, rapidly closing the gap vs. the best industry comparables. The company also achieved a positive net profit of EUR5m (+35%), despite the increase in financial costs.
- ✓ The company has reported a net debt of EUR49m (2.6x DN/EBITDA) with an increase vs the EUR31.5m reported in FY22, due to the acquisitions made (Techsociety, Autentia and Keifi).
- ✓ The company has highlighted its internationalization, with almost 20% of revenues coming from outside Spain, being the US the second market at present with c.5% of the activity.
- ✓ The results presented are in line with our estimates and confirm the strong growth that the company is having in recent years, with an exceptional combination of organic (always above +10%) and inorganic growth, with the objective of seeking larger and larger companies and fewer operations throughout each year, due to the current size of the company.
- ✓ In view of the results presented, we maintain our projected estimates and our valuation, as well as our positive view on the company, which continues to deliver a very robust performance, not only meeting but also improving the targets set and with a remarkable improvement in margins that place it increasingly closer to industry best practices and confirming the company's ability to compete with the big players in the sector. We reiterate our target price of EUR11.5 per share and our Buy recommendation.

FY23 results

IZERTIS. POST-FY'23 RESULTS.

EURm	FY'22	FY'23	Δ% y/y
Total income	92.20	121.29	31.5%
Supplies	-17.51	-19.36	10.5%
Gross margin	74.69	101.94	36.5%
% gross margin	81.0%	84.0%	3.0pp
Personnel costs	-58.80	-78.36	33.3%
Other general costs	-4.59	-5.62	22.4%
Other results	0.91	0.05	-94.8%
Impairment & Results of sale of assets	0.05	0.06	n.a
EBITDA	12.26	18.06	47.3%
other non recurrent costs	-0.20	0.56	-384.8%
Normalized EBITDA	12.07	18.62	67.9%
Normalized EBITDA mg (%)	13.1%	15.4%	2.3pp
EBIT	6.29	9.79	184.3%
Net income	3.72	5.01	34.6%

Source: Izertis & GVC Gaesco Valores

Implied valuation multiples place the company at market levels, comparable to some of the main industry leaders such as Reply (12.5x EV/EBITDA24e), NNIT AS (10.5x) or Epam Systems (16.5x). In Spain, comparables such as Altia are trading at c.12x EV/EBITDA24e.

	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
EV/Sales	4.0x	3.0x	2.3x	1.9x	1.6x	1.4x	1.2x	1.1x	0.9x
EV/EBITDA	28.8x	19.5x	15.1x	12.3x	10.4x	8.9x	7.8x	6.8x	6.0x
P/E	81.6x	60.7x	48.2x	33.9x	26.4x	21.2x	17.5x	14.4x	12.3x

We think the company's growth profile is superior to some of its competitors and that would justify a somewhat higher multiple than some comparables.

Izertis: Summary tables

PROFIT & LOSS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Sales	65.0	88.4	117	156	189	222
Cost of Sales & Operating Costs	-57.8	-76.4	-98.6	-132.5	-160.4	-188.1
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	7.3	12.1	18.6	23.7	29.0	34.4
EBITDA (adj.)*	7.3	12.1	18.6	23.7	29.0	34.4
Depreciation	-5.6	-6.0	-8.3	-10.5	-11.9	-13.6
Depreciation of Right-of-Use					0	0
EBITA	1.7	6.1	10.4	13.3	17.1	20.8
EBITA (adj)*	1.7	6.1	10.4	13.3	17.1	20.8
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.7	6.1	10.4	13.3	17.1	20.8
EBIT (adj.)*	1.7	6.1	10.4	13.3	17.1	20.8
Net Financial Interest	-0.9	-1.9	-4.2	-4.5	-4.8	-5.1
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	-0.4	-0.0	0.0	0.0	0.0
Other Non Recurrent Items	-0.1	0.2	-0.6	-0.3	-0.3	-0.3
Earnings Before Tax (EBT)	0.7	4.0	5.6	8.4	12.0	15.3
Tax	-0.3	-0.3	-0.6	-2.1	-3.0	-3.8
<i>Tax rate</i>	<i>45.8%</i>	<i>7.4%</i>	<i>11.1%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	0.4	3.7	5.0	6.3	9.0	11.5
Net Profit (adj.)	0.4	3.7	5.0	6.3	9.0	11.5
CASH FLOW (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Cash Flow from Operations before change in NWC	6.0	10.1	13.3	16.8	20.9	25.1
Change in Net Working Capital	-3.1	-8.8	-8.3	-0.2	-0.2	-0.2
Cash Flow from Operations	2.9	1.3	5.0	16.6	20.7	24.8
Capex	-1.9	-2.1	-3.0	-3.2	-3.5	-3.7
Net Financial Investments	-1.8	-33.6	-11.5	-11.3	-13.3	-14.8
Free Cash Flow	-0.8	-34.4	-9.6	2.0	3.8	6.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-6.2	17.1	-9.5	-6.1	-2.9	-5.4
Change in Net Financial Debt	-7.0	-17.2	-19.1	-4.1	0.9	0.9
NOPLAT	1.7	6.1	10.4	13.3	17.1	20.8
BALANCE SHEET & OTHER ITEMS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Tangible Assets	3.9	4.0	6.2	6.3	6.3	6.4
Net Intangible Assets (incl. Goodwill)	41.8	75.5	117	126	131	136
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	3.1	3.5	2.8	2.8	2.8	2.8
Total Fixed Assets	48.8	83.1	126	135	140	145
Inventories	0.8	0.8	1.2	1.2	1.3	1.3
Trade receivables	14.4	23.7	32.1	33.1	34.1	35.1
Other current assets	1.3	1.4	3.3	3.4	3.4	3.5
Cash (-)	-37.7	-35.6	-29.4	-30.0	-33.0	-36.3
Total Current Assets	54.2	61.5	66.0	67.7	71.8	76.2
Total Assets	103.0	144.6	192.3	202.7	212.2	221.2
Shareholders Equity	33.5	48.5	72.7	78.3	86.6	95.0
Minority	0.3	0.2	0.2	0.2	0.2	0.2
Total Equity	33.8	48.7	72.9	78.5	86.8	95.2
Long term interest bearing debt	37.0	47.0	52.5	57.0	58.8	60.8
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	3.0	6.5	10.3	9.8	9.3	8.8
Total Long Term Liabilities	40.0	53.5	62.8	66.8	68.1	69.6
Short term interest bearing debt	17.5	22.6	29.9	30.1	30.3	30.7
Trade payables	5.1	5.6	6.1	6.9	7.7	8.5
Other current liabilities	6.8	14.3	20.6	20.5	19.3	17.1
Total Current Liabilities	29.3	42.5	56.6	57.5	57.3	56.4
Total Liabilities and Shareholders' Equity	103.0	144.6	192.3	202.7	212.2	221.2
Net Capital Employed	53.5	89.1	136.2	145.4	152.3	159.3
Net Working Capital	10.1	18.9	27.2	27.4	27.7	27.9
GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
<i>Sales growth</i>	<i>28.2%</i>	<i>36.0%</i>	<i>32.6%</i>	<i>33.3%</i>	<i>21.2%</i>	<i>17.4%</i>
EBITDA (adj.)* growth	38.0%	65.9%	54.4%	27.5%	22.3%	18.4%
<i>EBITA (adj.)* growth</i>	<i>20.3%</i>	<i>264.0%</i>	<i>69.9%</i>	<i>28.2%</i>	<i>28.9%</i>	<i>21.6%</i>
<i>EBIT (adj.)* growth</i>	<i>20.3%</i>	<i>264.0%</i>	<i>69.9%</i>	<i>28.2%</i>	<i>28.9%</i>	<i>21.6%</i>

Izertis: Summary tables

GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Profit growth	-71.6%	852.4%	34.5%	25.8%	42.3%	28.4%
EPS adj. growth	-73.8%	792.9%	27.2%	25.8%	42.3%	28.4%
DPS adj. growth						
EBITDA (adj)* margin	11.2%	13.6%	15.9%	15.2%	15.3%	15.5%
EBITA (adj)* margin	2.6%	6.9%	8.8%	8.5%	9.0%	9.4%
EBIT (adj)* margin	2.6%	6.9%	8.8%	8.5%	9.0%	9.4%
RATIOS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Debt/Equity	0.5	0.7	0.7	0.7	0.6	0.6
Net Debt/EBITDA	2.3	2.8	2.8	2.4	1.9	1.6
Interest cover (EBITDA/Fin.interest)	8.5	6.4	4.5	5.2	6.0	6.7
Capex/D&A	34.5%	34.9%	36.6%	30.9%	29.5%	27.4%
Capex/Sales	3.0%	2.4%	2.6%	2.1%	1.9%	1.7%
NWC/Sales	15.6%	21.4%	23.2%	17.5%	14.6%	12.5%
ROE (average)	1.4%	9.1%	8.3%	8.3%	10.9%	12.7%
ROCE (adj.)	3.0%	6.2%	6.9%	8.3%	10.3%	12.2%
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	0.3	0.7	0.8	0.9	1.2	1.4
PER SHARE DATA (EUR)***	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Average diluted number of shares	23.4	25.0	26.4	26.4	26.4	26.4
EPS (reported)	0.02	0.15	0.19	0.24	0.34	0.44
EPS (adj.)	0.02	0.15	0.19	0.24	0.34	0.44
BVPS	1.43	1.94	2.75	2.96	3.28	3.60
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
EV/Sales	3.1	2.7	2.5	1.8	1.5	1.2
EV/EBITDA	27.6	19.6	15.7	11.6	9.5	8.0
EV/EBITDA (adj.)*	27.6	19.6	15.7	11.6	9.5	8.0
EV/EBITA	119.7	38.8	28.3	20.8	16.1	13.2
EV/EBITA (adj.)*	119.7	38.8	28.3	20.8	16.1	13.2
EV/EBIT	n.m.	38.8	28.3	20.8	16.1	13.2
EV/EBIT (adj.)*	n.m.	38.8	28.3	20.8	16.1	13.2
P/E (adj.)	n.m.	n.m.	48.4	35.2	24.7	19.3
P/BV	5.6	4.2	3.3	2.8	2.6	2.3
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	3.6	2.4	1.9	1.7	1.7	1.6
OpFCF yield	0.5%	-0.4%	0.8%	6.0%	7.7%	9.5%
OpFCF/EV	0.5%	-0.3%	0.7%	4.8%	6.2%	7.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Price** (EUR)	7.98	8.24	9.18	8.40	8.40	8.40
Outstanding number of shares for main stock	23.4	25.0	26.4	26.4	26.4	26.4
Total Market Cap	186.8	205.8	242.4	221.8	221.8	221.8
Gross Financial Debt (+)	54.5	69.6	82.5	87.1	89.2	91.6
Cash & Marketable Securities (-)	-37.7	-35.6	-29.4	-30.0	-33.0	-36.3
Net Financial Debt	16.7	34.0	53.1	57.1	56.2	55.3
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	16.7	34.0	53.1	57.1	56.2	55.3
Other EV components	-3.1	-3.5	-2.8	-2.8	-2.8	-2.8
Enterprise Value (EV adj.)	200.4	236.2	292.7	276.2	275.3	274.4

Source: Company, GVC Gaesco Valores estimates.

Notes

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

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

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

Sector: Technology/Computer Services

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

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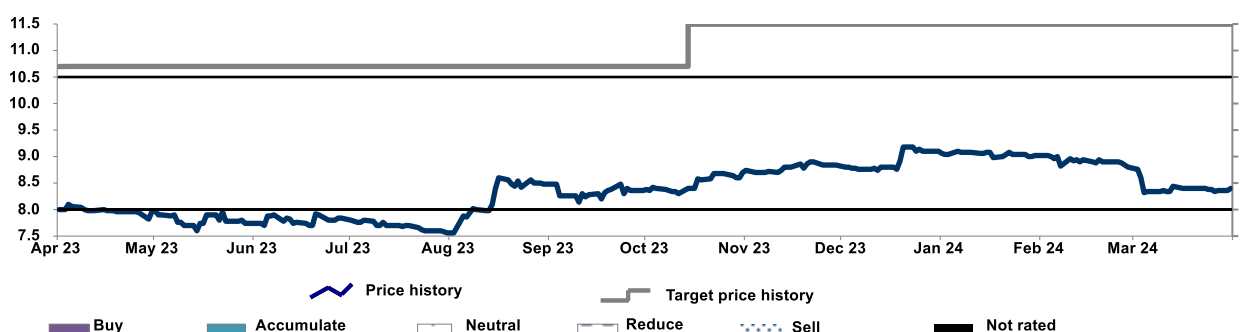
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- has a liquidity contract as outlined by the CNMV's Circular 1/2017 with: Melia Hotels International; Española de Viviendas en Alquiler S.A. (CEVASA); ENCE Energía y Celulosa; Cementos Molins; Desarrollo Especiales de Sistemas de Anclaje, S.A. (DESA).
- has signed a Corporate Brokerage agreement that includes a contractually agreed provision of research services that in return, GVC Gaesco Valores receives a compensation. These reports (sponsored) may/could have been previously shown to the companies: Atrys Health; Audax Renovables; Gigas Hosting; Vytrus Biotech; Nicolás Correa; Prim; Ktesios, Cementos Molins.

Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
23-Oct-23	Buy	11.50	8.40
12-Apr-23	Buy	10.70	8.00
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.



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

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

Meaning of each recommendation or rating:

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

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

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

Recommendation	Number of stocks covered	%
Buy	64	78%
Accumulate	7	9%
Neutral	8	10%
Reduce	2	2%
Sell	0	0%

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