

**EQUITY - SPAIN**

Sector: Media

 Closing price: EUR 10.30 (30 Mar 2023)  
 Report date: 31 Mar 2023 (15:00h)

**Important news - Estimates upgrade**

Independent Equity Research

**Important news**

 Opinion <sup>(1)</sup>: Positive

 Impact <sup>(1)</sup>: We raise 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).

## LLYC accelerates its international expansion. We raise our estimate for 2023e EBITDA by 8%

**Market Data**

Market Cap (Mn EUR and USD)	119.9	130.8
EV (Mn EUR and USD) <sup>(2)</sup>	116.0	126.6
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	13.04 / 10.75 / 9.20	
Daily Avg volume (-12m Mn EUR)	0.01	
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	9.0
Indumenta Pueri	7.5
Free Float	10.7

**Financials (Mn EUR)**

	2022	2023e	2024e	2025e
Adj. n <sup>o</sup> shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	89.5	104.4	115.9	126.2
Rec. EBITDA	15.2	19.1	21.5	23.7
% growth	19.6	26.0	12.6	10.0
% Rec. EBITDA/Rev.	17.0	18.3	18.6	18.8
% Inc. EBITDA sector <sup>(4)</sup>	13.5	7.8	8.7	6.4
Net Profit	7.0	9.7	10.9	12.3
EPS (EUR)	0.60	0.83	0.93	1.05
% growth	n.a.	39.5	12.0	12.8
Ord. EPS (EUR)	0.65	0.83	0.93	1.05
% growth	n.a.	29.2	12.0	12.8
Rec. Free Cash Flow <sup>(5)</sup>	4.6	6.3	8.8	9.7
Pay-out (%)	23.0	23.0	23.0	23.0
DPS (EUR)	0.14	0.19	0.21	0.24
Net financial debt	-1.5	4.0	-2.3	-9.1
ND/Rec. EBITDA (x)	-0.1	0.2	-0.1	-0.4
ROE (%)	22.3	25.6	23.7	22.4
ROCE (%) <sup>(5)</sup>	27.0	27.4	25.5	26.7

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

	2022	2023e	2024e	2025e
P/E	17.2	12.4	11.0	9.8
Ord. P/E	16.0	12.4	11.0	9.8
P/BV	3.5	2.9	2.4	2.0
Dividend Yield (%)	1.3	1.9	2.1	2.4
EV/Sales	1.30	1.11	1.00	0.92
EV/Rec. EBITDA	7.6	6.1	5.4	4.9
EV/EBIT	9.9	7.3	6.5	5.8
FCF Yield (%) <sup>(5)</sup>	3.9	5.2	7.3	8.1

**LLYC BOOSTS ITS INTERNATIONAL PRESENCE IN THE US WITH THE ACQUISITION OF 80% OF BAM...**

LLYC has reached an agreement to acquire 80% of BAM (at a valuation that implies a total EV for BAM of EUR 12.2Mn; 6.7x EV/EBITDA). 2022 BAM ND was EUR 0.2Mn, that implies an acquisition price for LLYC of EUR 9.6Mn (the initial price could be adjusted depending on results from 2022 to 2025). LLYC continues with its strategy of international expansion via inorganic growth. 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. This is a strategic deal that makes the US LLYC's third largest market by revenue, only behind Spain and Mexico.

**... THAT WILL REPRESENT ADDITIONAL ANNUAL (PROFORMA) REVENUE OF C. EUR 8.5MN.**

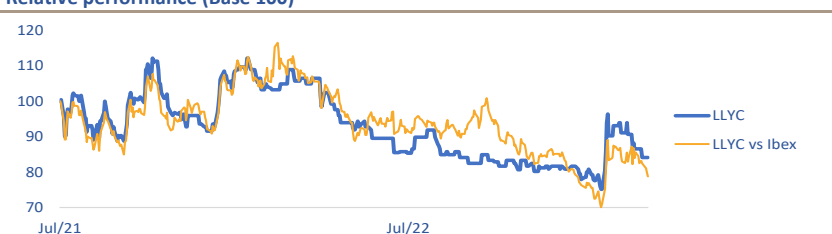
BAM generated revenue of c. EUR 7.8Mn in 2022, and EBITDA of EUR 1.8Mn (2022 EBITDA margin 23%). In 2023e, we expect it to contribute revenue of EUR 6.4Mn (EUR 8.5Mn proforma; 9.5% of 2022 revenue) and EBITDA of c. EUR 1.5Mn (EUR 2Mn proforma) to LLYC's scope of consolidation.

**THIS OPERATION LEADS US TO UPGRADE OUR ESTIMATES (2023E EBITDA: +8% VS PREVIOUS ESTIMATE).**

We value this acquisition positively and upgrade our estimates for 2023e and the following years. Our central scenario points to 2023e revenue of EUR 104.4Mn and 2023e EBITDA of EUR 19.1Mn (+6.1% and +8.1% vs our previous estimate). LLYC ended 2022 with a net cash position of EUR 1.5Mn, that added to the expected cash generation (2023e Rec. FCF EUR 6.3Mn), will mitigate the (logical) increase in 2023e ND to EUR 4Mn. Maintaining low financial leverage of 0.2x 2023e ND/EBITDA (with room to continue to look for non-organic growth opportunities).

**LLYC CONFIRMS ITS REAL CAPACITY FOR PROFITABLE GROWTH VIA M&A.**

With the acquisition of BAM, LLYC doubles down on its play on the US market. International expansion via corporate deals is one of the drivers of the company's business model, strengthening its presence in stable (and so lower risk) markets, and making it possible to exceed the objective established on its market listing (24e revenue: EUR 100Mn and 24e EBITDA: EUR 20Mn). The share price performance -12m (-20.4%) cannot be explained by the expected growth (22-25e revenue: +12% CAGR) or by its FCF generating ability (and so, profitability; 2023e FCF Yield c.5%, 2025e c8%). Today, LLYC represents a unique opportunity of growth and defensiveness. 2023e multiples PER 12.4x and EV/EBITDA 6.1x, below its sector (PER 15.5x and EV/EBITDA 9.1x).

**Relative performance (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-10.4	3.0	-20.4	3.0	n.a.	n.a.
vs Ibex 35	-8.6	-7.9	-26.1	-7.9	n.a.	n.a.
vs Ibex Small Cap Index	-4.5	-7.7	-15.2	-7.7	n.a.	n.a.
vs Eurostoxx 50	-11.4	-8.8	-26.4	-8.8	n.a.	n.a.
vs Sector benchmark <sup>(4)</sup>	-10.4	-7.6	-22.5	-7.6	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 2.9%, Alejandro Romero 5.2%, Luisa García 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.

## LLYC 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).

**Important news**  
**Estimates upgrade**
**Table 1. Estimates Upgrade**

EUR Mn	2023e (New)	2023e	Review (%)	2024e (New)	2024e	Review (%)	2025e (New)	2025e	Review (%)
<b>Total Revenues</b>	<b>104.4</b>	<b>98.4</b>	<b>6.1%</b>	<b>115.9</b>	<b>109.1</b>	<b>6.2%</b>	<b>126.2</b>	<b>121.5</b>	<b>3.9%</b>
<b>Recurrent EBITDA</b>	<b>19.1</b>	<b>17.7</b>	<b>8.1%</b>	<b>21.5</b>	<b>20.2</b>	<b>6.6%</b>	<b>23.7</b>	<b>22.8</b>	<b>3.8%</b>
<i>Rec. EBITDA/Revenues</i>	<i>18.3%</i>	<i>18.0%</i>	<i>0 p.p.</i>	<i>18.6%</i>	<i>18.5%</i>	<i>0 p.p.</i>	<i>18.8%</i>	<i>18.8%</i>	<i>0 p.p.</i>
<b>EBIT</b>	<b>16.0</b>	<b>14.9</b>	<b>6.9%</b>	<b>17.9</b>	<b>17.3</b>	<b>3.4%</b>	<b>20.0</b>	<b>19.8</b>	<b>0.9%</b>
<b>Net Profit</b>	<b>9.7</b>	<b>9.5</b>	<b>2.1%</b>	<b>10.9</b>	<b>11.2</b>	<b>-3.0%</b>	<b>12.3</b>	<b>13.0</b>	<b>-5.7%</b>
<b>Recurrent Free Cash Flow</b>	<b>6.3</b>	<b>5.0</b>	<b>25.6%</b>	<b>8.8</b>	<b>8.3</b>	<b>5.8%</b>	<b>9.7</b>	<b>8.9</b>	<b>8.8%</b>
<i>ND / EBITDA</i>	<i>0.2 x</i>	<i>-0.2 x</i>	<i>0.5 x</i>	<i>-0.1 x</i>	<i>-0.5 x</i>	<i>0.4 x</i>	<i>-0.4 x</i>	<i>-0.5 x</i>	<i>0.1 x</i>

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	(2.7)	9.5	10.4	143.3		
Market Cap	119.9	At the date of this report				
Net financial debt	-1.5	Debt net of Cash (12m Results 2022)				
					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)	3.4%	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	9.4%	Ke = Rf + (R * B)			8.3%	10.5%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	9.4%	WACC = Kd * D + Ke * E			8.3%	10.5%
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	11,603.2	9.2	8.1%	6.9	4.5%	1.2	3.4%	17.9%	9.9%	17.0%
Publicis	PUB-FR	18,458.0	11.1	4.7%	6.9	3.4%	1.5	3.5%	22.1%	9.5%	7.7%
Omnicom	OMC-US	17,226.8	12.7	7.3%	9.0	4.2%	1.5	3.7%	16.7%	9.3%	2.6%
Interpublic	IPG-US	12,866.3	12.7	6.6%	8.8	4.4%	1.6	5.9%	18.7%	9.2%	6.8%
<b>Media</b>			<b>11.5</b>	<b>6.6%</b>	<b>7.9</b>	<b>4.1%</b>	<b>1.5</b>	<b>4.1%</b>	<b>18.8%</b>	<b>9.5%</b>	<b>8.5%</b>
FTI Consulting	FCN-US	6,106.4	26.7	15.7%	16.6	n.a.	2.0	6.3%	12.1%	n.a.	n.a.
Next Fifteen	NFC-GB	966.7	9.7	7.3%	6.4	7.6%	1.5	6.2%	22.8%	11.6%	n.a.
Hopscotch Group	ALHOP-FR	56.9	10.1	n.a.	4.2	n.a.	0.2	n.a.	5.8%	19.9%	n.a.
Communication Agencies			<b>15.5</b>	<b>11.5%</b>	<b>9.1</b>	<b>7.6%</b>	<b>1.2</b>	<b>6.3%</b>	<b>13.6%</b>	<b>15.7%</b>	<b>n.a.</b>
LLYC	LLYC-ES	119.9	12.4	12.6%	6.1	11.3%	1.1	9.9%	18.3%	5.2%	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	19.5%	22.6	5.1x
Central	18.6%	21.5	5.4x
Min	17.7%	20.5	5.7x

#### 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	2.5%	2.8%	3.1%		Max	8.5%	8.2%	7.9%
22.6	10.2	9.8	9.5	➔	Central	7.6%	7.3%	7.0%
21.5	9.1	8.8	8.4		Min	6.7%	6.5%	6.2%
20.5	8.1	7.7	7.4					

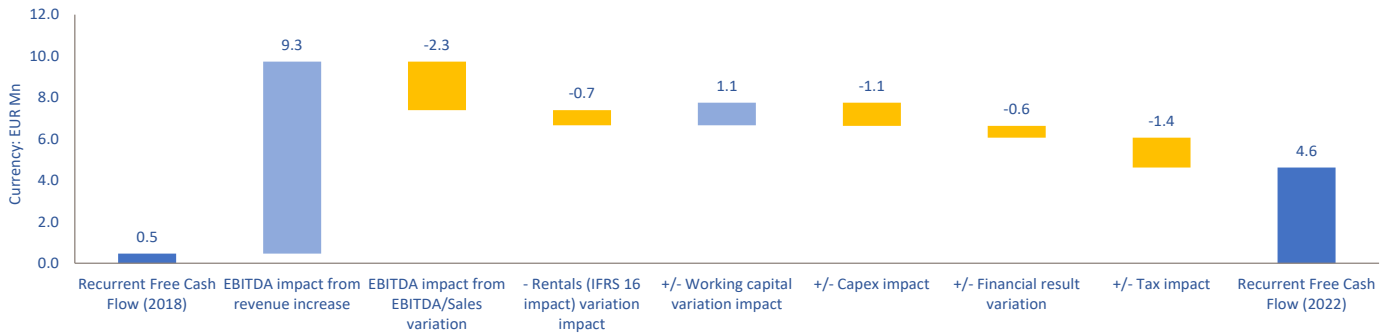
## Appendix 1. Financial Projections

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	12.8	13.6	14.2		
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	25.9	28.3	29.1		
<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>73.4</b>	<b>77.5</b>	<b>80.0</b>		
Equity	16.8	22.0	20.9	28.2	34.2	41.7	50.0	59.5		
Minority Interests	3.7	3.5	3.4	1.2	1.1	2.0	2.9	3.9		
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)	4.0	(2.3)	(9.1)		
Current Liabilities	8.1	9.6	8.7	18.8	17.7	18.4	19.4	18.3		
<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>73.4</b>	<b>77.5</b>	<b>80.0</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>104.4</b>	<b>115.9</b>	<b>126.2</b>	<b>21.2%</b>	<b>12.1%</b>
<i>Total Revenues growth</i>	7.2%	16.0%	-7.2%	43.5%	39.5%	16.7%	11.0%	8.9%		
COGS	(5.1)	(7.2)	(6.6)	(10.9)	(16.8)	(18.5)	(20.0)	(21.8)		
<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>85.9</b>	<b>95.8</b>	<b>104.4</b>	<b>18.8%</b>	<b>12.8%</b>
<i>Gross Margin/Revenues</i>	87.8%	85.0%	85.3%	83.1%	81.3%	82.3%	82.7%	82.7%		
Personnel Expenses	(22.2)	(24.6)	(24.3)	(31.6)	(45.9)	(53.7)	(60.2)	(65.7)		
Other Operating Expenses	(6.0)	(6.2)	(5.4)	(9.0)	(11.7)	(13.0)	(14.1)	(15.0)		
<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>19.1</b>	<b>21.5</b>	<b>23.7</b>	<b>16.5%</b>	<b>16.0%</b>
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	19.6%	26.0%	12.6%	10.0%		
<i>Rec. EBITDA/Revenues</i>	19.9%	21.0%	18.9%	19.8%	17.0%	18.3%	18.6%	18.8%		
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>19.1</b>	<b>21.5</b>	<b>23.7</b>	<b>16.7%</b>	<b>18.0%</b>
Depreciation & Provisions	(1.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.9)	(2.5)	(2.6)		
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>16.0</b>	<b>17.9</b>	<b>20.0</b>	<b>25.7%</b>	<b>19.6%</b>
<i>EBIT growth</i>	-9.2%	66.5%	-25.3%	45.9%	37.6%	36.7%	12.1%	11.7%		
<i>EBIT/Revenues</i>	11.3%	16.2%	13.0%	13.2%	13.0%	15.3%	15.4%	15.8%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.5)	(0.7)	(0.6)	(1.4)	(0.9)	(1.0)	(1.0)		
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>15.1</b>	<b>16.9</b>	<b>19.0</b>	<b>25.0%</b>	<b>22.7%</b>
<i>Ordinary Profit Growth</i>	-3.7%	73.1%	-29.6%	54.4%	29.9%	46.1%	12.0%	12.8%		
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>15.1</b>	<b>16.9</b>	<b>19.0</b>	<b>25.0%</b>	<b>22.7%</b>
Tax Expense	(1.6)	(2.2)	(2.2)	(2.4)	(2.9)	(4.5)	(5.1)	(5.7)		
<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)	(1.1)		
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>9.7</b>	<b>10.9</b>	<b>12.3</b>	<b>40.6%</b>	<b>20.8%</b>
<i>Net Profit growth</i>	20.0%	138.7%	-46.6%	134.6%	30.6%	39.5%	12.0%	12.8%		
<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>9.7</b>	<b>10.9</b>	<b>12.3</b>	<b>32.7%</b>	<b>17.7%</b>
<i>Ordinary Net Profit growth</i>	-9.1%	76.8%	-26.9%	105.1%	17.1%	29.2%	12.0%	12.8%		
<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>19.1</b>	<b>21.5</b>	<b>23.7</b>	<b>16.5%</b>	<b>16.0%</b>
Rentals (IFRS 16 impact)						(2.1)	(2.1)	(2.1)		
Working Capital Increase						(2.4)	(1.3)	(2.0)		
<b>Recurrent Operating Cash Flow</b>						<b>14.6</b>	<b>18.1</b>	<b>19.5</b>	<b>30.2%</b>	<b>20.5%</b>
CAPEX						(2.9)	(3.2)	(3.2)		
Net Financial Result affecting the Cash Flow						(0.9)	(1.0)	(1.0)		
Tax Expense						(4.5)	(5.1)	(5.7)		
<b>Recurrent Free Cash Flow</b>						<b>6.3</b>	<b>8.8</b>	<b>9.7</b>	<b>77.6%</b>	<b>28.0%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(9.6)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(3.3)</b>	<b>8.8</b>	<b>9.7</b>	<b>75.4%</b>	<b>36.0%</b>
Capital Increase						-	-	-		
Dividends						(2.2)	(2.5)	(2.8)		
<b>Net Debt Variation</b>						<b>5.6</b>	<b>(6.3)</b>	<b>(6.9)</b>		

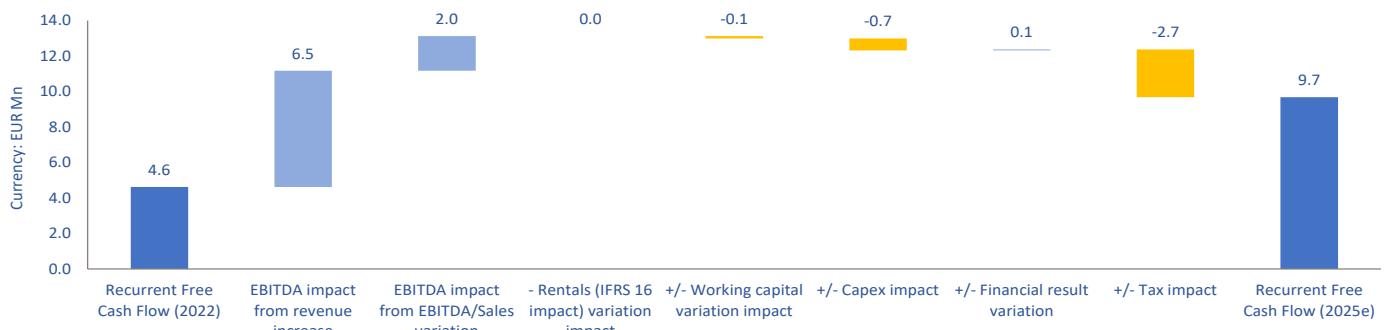
## Appendix 2. Free Cash Flow

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>19.1</b>	<b>21.5</b>	<b>23.7</b>	<b>14.5%</b>	<b>16.0%</b>
<i>Recurrent EBITDA growth</i>	22.6%	-16.4%	50.2%	19.6%	26.0%	12.6%	10.0%		
<i>Rec. EBITDA/Revenues</i>	21.0%	18.9%	19.8%	17.0%	18.3%	18.6%	18.8%		
- 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)	(2.4)	(1.3)	(2.0)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>14.6</b>	<b>18.1</b>	<b>19.5</b>	<b>11.7%</b>	<b>20.5%</b>
<i>Rec. Operating Cash Flow growth</i>	106.6%	15.7%	34.1%	-10.2%	30.9%	23.9%	7.9%		
<i>Rec. Operating Cash Flow / Sales</i>	16.6%	20.8%	19.4%	12.5%	14.0%	15.6%	15.5%		
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.7)	(0.6)	(1.0)	(0.9)	(1.0)	(1.0)		
- Taxes	(2.2)	(2.2)	(1.6)	(3.0)	(4.5)	(5.1)	(5.7)		
<b>= Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>6.3</b>	<b>8.8</b>	<b>9.7</b>	<b>-1.5%</b>	<b>28.0%</b>
<i>Rec. Free Cash Flow growth</i>	938.8%	-33.2%	174.4%	-47.8%	35.9%	39.9%	10.2%		
<i>Rec. Free Cash Flow / Revenues</i>	10.0%	7.2%	13.8%	5.2%	6.0%	7.6%	7.7%		
- Restructuring expenses & others	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(9.6)	-	-		
+/- 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>(3.3)</b>	<b>8.8</b>	<b>9.7</b>	<b>-7.0%</b>	<b>36.0%</b>
<i>Free Cash Flow growth</i>	n.a.	-84.5%	n.a.	142.7%	-186.2%	364.6%	10.2%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	4.0%	2.7%	7.4%	3.9%	5.2%	7.3%	8.1%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	4.0%	0.6%	n.a.	3.2%	n.a.	7.3%	8.1%		
<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>6.3</b>	<b>8.8</b>		
EBITDA impact from revenue increase	1.3	(0.7)	3.7	5.0	2.5	2.1	1.9		
EBITDA impact from EBITDA/Sales variation	0.5	(0.9)	0.6	(2.5)	1.4	0.3	0.2		
<b>= Recurrent EBITDA variation</b>	<b>1.9</b>	<b>(1.7)</b>	<b>4.2</b>	<b>2.5</b>	<b>3.9</b>	<b>2.4</b>	<b>2.2</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)	(0.5)	1.1	(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>3.5</b>	<b>3.5</b>	<b>1.4</b>		
+/- CAPEX impact	0.9	(2.7)	1.7	(1.0)	(0.4)	(0.3)	0.1		
+/- Financial result variation	(0.0)	(0.2)	0.1	(0.5)	0.1	(0.1)	0.1		
+/- Tax impact	(0.6)	(0.0)	0.6	(1.5)	(1.5)	(0.5)	(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>1.7</b>	<b>2.5</b>	<b>0.9</b>		
<b>Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>6.3</b>	<b>8.8</b>	<b>9.7</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>16.0</b>	<b>17.9</b>	<b>20.0</b>	<b>14.5%</b>	<b>19.6%</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)	(4.8)	(5.4)	(6.0)		
<b>Recurrent EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>19.1</b>	<b>21.5</b>	<b>23.7</b>	<b>14.5%</b>	<b>16.0%</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)	(2.4)	(1.3)	(2.0)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>14.6</b>	<b>18.1</b>	<b>19.5</b>	<b>11.7%</b>	<b>20.5%</b>
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
- Taxes (pre- Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.8)	(5.4)	(6.0)		
<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>6.9</b>	<b>9.5</b>	<b>10.4</b>	<b>1.2%</b>	<b>24.6%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	372.3%	-15.9%	93.7%	-36.4%	29.1%	37.5%	9.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	10.7%	9.7%	13.1%	6.0%	6.6%	8.2%	8.2%		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(9.6)	-	-		
+/- 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>(2.7)</b>	<b>9.5</b>	<b>10.4</b>	<b>1.2%</b>	<b>24.6%</b>
<i>Free Cash Flow (To the Firm) growth</i>	243.2%	-58.1%	-467.7%	167.3%	-150.2%	453.4%	9.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	4.5%	3.7%	7.3%	4.6%	6.0%	8.2%	8.9%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.5%	1.9%	n.a.	4.6%	n.a.	8.2%	8.9%		

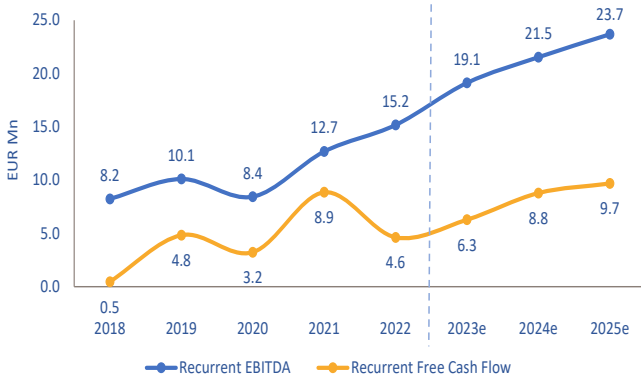
**Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)**



**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	119.9	
+ Minority Interests	1.1	12m Results 2022
+ Provisions & Other L/T Liabilities	0.0	12m Results 2022
+ Net financial debt	(1.5)	12m Results 2022
- Financial Investments	-	12m Results 2022
+/- Others <sup>(1)</sup>	(3.5)	12m Results 2022
<b>Enterprise Value (EV)</b>	<b>116.0</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	104.4	115.9	126.2	n.a.	12.1%
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%	16.7%	11.0%	8.9%		
EBITDA	-	-	-	-	5.2	8.0	7.8	10.1	8.1	11.2	14.4	19.1	21.5	23.7	n.a.	18.0%
EBITDA growth	n.a.	n.a.	n.a.	n.a.	n.a.	51.8%	-2.3%	29.5%	-19.1%	37.3%	28.9%	32.8%	12.6%	10.0%		
EBITDA/Sales	n.a.	n.a.	n.a.	n.a.	15.2%	20.5%	18.7%	20.9%	18.2%	17.4%	16.1%	18.3%	18.6%	18.8%		
Net Profit	-	-	-	-	1.8	1.5	1.8	4.3	2.3	5.3	7.0	9.7	10.9	12.3	n.a.	20.8%
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%	39.5%	12.0%	12.8%		
Adjusted number shares (Mn)	-	-	-	-	-	10.6	10.6	10.6	-	-	11.6	11.6	11.6	11.6		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	0.14	0.17	0.40	n.a.	n.a.	0.60	0.83	0.93	1.05	n.a.	20.8%
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.0%	n.a.	n.a.	n.a.	n.a.	39.5%	12.0%	12.8%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	0.15	0.23	0.40	n.a.	n.a.	0.65	0.83	0.93	1.05	n.a.	17.7%
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	52.5%	76.8%	n.a.	n.a.	n.a.	29.2%	12.0%	12.8%		
CAPEX	-	-	-	-	-	(1.8)	(1.4)	(0.5)	(3.2)	(1.5)	(2.5)	(2.9)	(3.2)	(3.2)		
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	(3.3)	8.8	9.7	n.a.	36.0%
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	0.2x	-0.1x	-0.4x		
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.	12.4x	11.0x	9.8x		
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.	1.11x	1.00x	0.92x		
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.	6.1x	5.4x	4.9x		
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%	3.0%			
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%	-7.9%			

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				LLYC
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	NFC-GB	ALHOP-FR		LLYC-ES
	Country	UK	France	USA	USA		USA	UK	France		Spain
	Market cap	11,603.2	18,458.0	17,226.8	12,866.3		6,106.4	966.7	56.9		119.9
	Enterprise value (EV)	17,455.0	19,780.7	20,220.2	14,774.8		6,177.0	1,043.8	60.8		116.0
Basic financial information	Total Revenues	14,195.0	12,967.1	13,478.7	8,954.7		3,068.2	716.1	248.8		104.4
	Total Revenues growth	-13.3%	-8.7%	2.9%	-10.6%	-7.4%	10.5%	12.5%	0.8%	7.9%	16.7%
	2y CAGR (2023e - 2025e)	3.4%	3.5%	3.7%	5.9%	4.1%	6.3%	6.2%	n.a.	6.3%	9.9%
	EBITDA	2,538.8	2,866.9	2,246.6	1,670.3		371.6	163.5	14.5		19.1
	EBITDA growth	2.9%	-0.6%	1.5%	3.7%	1.9%	13.3%	13.4%	n.a.	13.4%	32.8%
	2y CAGR (2023e - 2025e)	4.5%	3.4%	4.2%	4.4%	4.1%	n.a.	7.6%	n.a.	7.6%	11.3%
	EBITDA/Revenues	17.9%	22.1%	16.7%	18.7%	18.8%	12.1%	22.8%	5.8%	13.6%	18.3%
	EBIT	2,116.0	2,199.1	2,049.1	1,419.9		328.4	145.6	9.5		16.0
	EBIT growth	10.7%	6.7%	1.8%	4.4%	5.9%	14.8%	14.3%	-89.0%	-20.0%	36.7%
	2y CAGR (2023e - 2025e)	5.7%	5.0%	4.4%	4.7%	4.9%	11.8%	5.6%	n.a.	8.7%	11.9%
	EBIT/Revenues	14.9%	17.0%	15.2%	15.9%	15.7%	10.7%	20.3%	3.8%	11.6%	15.3%
	Net Profit	1,282.6	1,456.7	1,358.0	1,000.0		238.2	71.8	5.3		9.7
	Net Profit growth	65.6%	19.2%	12.6%	16.3%	28.4%	10.4%	73.7%	n.a.	42.0%	39.5%
2y CAGR (2023e - 2025e)	6.8%	6.0%	4.4%	5.2%	5.6%	12.3%	6.7%	n.a.	9.5%	12.6%	
CAPEX/Sales %	2.5%	2.2%	0.7%	2.0%	1.9%	n.a.	1.2%	0.2%	0.7%	2.8%	
Free Cash Flow	1,145.0	1,746.3	1,610.1	1,178.5		n.a.	112.2	11.3		(3.3)	
Net financial debt	3,444.4	(492.0)	669.8	(20.9)		n.a.	(4.5)	(18.2)		4.0	
ND/EBITDA (x)	1.4	n.a.	0.3	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	0.2	
Pay-out	39.8%	52.1%	41.2%	44.5%	44.4%	n.a.	23.7%	n.a.	23.7%	23.0%	
Multiples and Ratios	P/E (x)	9.2	11.1	12.7	12.7	11.5	26.7	9.7	10.1	15.5	12.4
	P/BV (x)	2.5	1.8	5.2	3.6	3.2	n.a.	n.a.	2.3	2.3	2.9
	EV/Revenues (x)	1.2	1.5	1.5	1.6	1.5	2.0	1.5	0.2	1.2	1.1
	EV/EBITDA (x)	6.9	6.9	9.0	8.8	7.9	16.6	6.4	4.2	9.1	6.1
	EV/EBIT (x)	8.2	9.0	9.9	10.4	9.4	18.8	7.2	6.4	10.8	7.3
	ROE	27.0	15.8	40.6	28.2	27.9	n.a.	n.a.	22.2	22.2	25.6
	FCF Yield (%)	9.9	9.5	9.3	9.2	9.5	n.a.	11.6	19.9	15.7	5.2
	DPS	0.47	3.02	2.72	1.14	1.84	n.a.	0.18	0.50	0.34	0.19
Dvd Yield	4.3%	4.2%	3.2%	3.4%	3.8%	n.a.	1.9%	2.4%	2.1%	1.9%	

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
31-Mar-2023	n.a.	10.30	n.a.	n.a.	Important news - Estimates upgrade	Luis Esteban Arribas
09-Mar-2023	n.a.	11.50	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
25-Jan-2023	n.a.	9.62	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas
21-Sep-2022	n.a.	10.30	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
22-Jul-2022	n.a.	10.45	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.84	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.74	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.36	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

