

6m Results 2022

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We lower our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com
+34 915 904 226

Innovative Solutions Ecosystem (ISE), formerly Service Point Solutions, is a company whose strategy is one of growth via M&A in the data security, technology, cryptography and online voting sectors. After the sale of its traditional business in 2021, SPS specialises in the online voting sector, where it is a leading player with an international presence through its subsidiary Scytl (acquired in 2020).

Market Data

Market Cap (Mn EUR and USD)	36.2	40.0
EV (Mn EUR and USD) ⁽²⁾	45.0	49.6
Shares Outstanding (Mn)	57.7	
-12m (Max/Med/Min EUR)	1.14 / 0.88 / 0.61	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	32.8	
Factset / Bloomberg	ISE-ES / ISE SM	
Close fiscal year	30-Jun	

Shareholders Structure (%)

Paragon Group	76.2
Free Float	23.8

Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. n ^o shares (Mn)	55.6	57.7	57.7	57.7
Total Revenues	3.0	6.2	9.2	12.3
Rec. EBITDA ⁽⁴⁾	-2.4	-2.7	-1.4	0.0
% growth	-43.9	-10.6	47.4	97.6
% Rec. EBITDA/Rev.	n.a.	n.a.	n.a.	n.a.
% Inc. EBITDA sector ⁽⁵⁾	28.1	27.7	19.1	13.3
Net Profit	0.5	-3.9	-2.4	-0.8
EPS (EUR)	0.01	-0.07	-0.04	-0.01
% growth	125.0	-827.9	37.9	65.5
Ord. EPS (EUR)	-0.06	-0.07	-0.04	-0.02
% growth	-64.3	-15.0	37.9	63.5
Rec. Free Cash Flow ⁽⁶⁾	-3.4	-3.3	-2.0	-0.6
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	5.3	8.6	10.6	11.2
ND/Rec. EBITDA (x)	n.a.	n.a.	n.a.	n.a.
ROE (%)	n.a.	83.2	30.8	8.8
ROCE (%) ⁽⁶⁾	n.a.	n.a.	n.a.	n.a.

Ratios & Multiples (x) ⁽⁷⁾

	2021	2022e	2023e	2024e
P/E	67.0	n.a.	n.a.	n.a.
Ord. P/E	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	14.85	7.27	4.90	3.65
EV/Rec. EBITDA	n.a.	n.a.	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.	n.a.
FCF Yield (%) ⁽⁶⁾	n.a.	n.a.	n.a.	n.a.

1H22: still lacking critical mass. Everything depends on the integration of Scytl

Innovative Solutions Ecosystem, (formerly Service Point Solutions) has released 1H22 results (July-December; closed at 31 December 2021). We highlight:

LOWER THAN EXPECTED REVENUE (EUR 2.6MN)... ISE's technological business (Scytl; online voting software acquired in October 2020) generated revenue of EUR 2.6Mn in 1H22 (vs EUR 3Mn in 2H21; mainly due to the holiday period between July and September). This level of revenue was below expectations mainly due to the situation of insolvency Scytl had come from (that, together with the process of integration in ISE, significantly reduced its ability to take part in public tender offers and generate business).

... WITH AN OPERATING STRUCTURE SIZED FOR A MUCH HIGHER LEVEL OF REVENUE (1H22 EBITDA: EUR -1.6MN). With an average headcount of 93 employees (88 at the 1H22 close) that resulted in personnel costs of EUR 2.1Mn and other operating costs of EUR 0.8Mn, ISE has an operating structure sized for a much higher level of revenue than the present one. EBITDA remains negative (although the cost control measures taken in 2Q22 managed to reduce EBITDA losses to EUR -1.6Mn in 1H22; vs EUR -2.3Mn at the January-June 2021 close).

THE FINANCIAL BACKING OF THE CORE SHAREHOLDER WILL REMAIN CRUCIAL (1H22 NET DEBT: EUR 7.6MN). ISE has increased its net debt (including EUR 0.8Mn of convertible bonds) to EUR 7.5Mn (vs EUR 5.3Mn at the 2021 close). ND is mainly explained by the working capital funding obtained from its core shareholder (under the terms and conditions of the Paragon Group's Global Treasury Agreement; with no specific repayment date).

THE FOCUS REMAINS ON THE DEGREE OF SUCCESS OF THE INTEGRATION OF SCYTL. The acquisition of Scytl is strategic and represents ISE's first step towards the technological business, but we do not expect it to gain traction until 2023e (once integration has been concluded). The scenario we envisage for 2022e should enable ISE to generate revenue of at least EUR 6Mn (revenue for 2H22e in isolation: +13% vs 2H21) although with EBITDA still below break even (EUR -2.7Mn) resulting in ND of c. EUR 8.5Mn. Trading at 7x 2022e EV/Sales (decreasing to 4.9x in 2023e, when the Scytl business should have gained traction).

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-10.7	-11.0	-41.2	-11.0	10.6	-53.1
vs Ibex 35	-14.0	-8.9	-40.7	-8.9	21.5	-42.3
vs Ibex Small Cap Index	-15.3	-14.5	-39.0	-14.5	-13.9	-68.5
vs Eurostoxx 50	-14.2	-2.4	-40.8	-2.4	-4.5	-58.1
vs Sector benchmark ⁽⁵⁾	-13.3	7.4	-39.4	7.4	-23.3	-70.9

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) FY 2021 corresponds to the six-month period between January 1, 2021 and June 30, 2021.

(5) Sector: Stoxx Europe 600 Technology.

(6) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(7) Multiples and ratios calculated over prices at the date of this report.

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

6m Results 2022
Estimates downgrade

EUR Mn	Jan. -Mar. 2021	Apr. -Jun. 2021	2H21	Jul. - Sept. 2021	Oct. -Dec. 2021	1H22	2022e
Total Revenues	1.4	1.7	3.0	1.0	1.6	2.6	6.2
Gross margin	0.6	0.8	1.4	0.4	0.9	1.3	3.1
Recurrent EBITDA	-1.4	-0.9	-2.3	-1.0	-0.6	-1.6	-2.7
EBIT	-1.8	-1.3	-3.1	-1.4	-1.0	-2.4	-3.9
NP	-1.8	-1.3	-3.1	-1.5	-1.0	-2.4	-3.9
Net Debt¹			5.3			7.5	8.6

Note: So it is comparable, the comparison with 2021 only include the technological business during January-June 2021 (corresponding to 2H21).

Note 1: Net debt includes EUR 0.8Mn of convertible bonds corresponding to bonds owned by Paragon pending conversion in shares of ISE (maturing in June 2026).

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(3.2)	(1.9)	(0.6)	n.a.		
Market Cap	36.2	At the date of this report				
Net financial debt	7.5	Debt net of Cash (6m Results 2022)				
					Best Case	Worst Case
Cost of Debt	2.0%	Net debt cost			1.8%	2.3%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	1.6%	$Kd = \text{Cost of Net Debt} * (1-T)$			1.4%	1.8%
Risk free rate (rf)	1.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	8.0%	R (own estimate)			7.5%	8.5%
Beta (B)	1.2	B (own estimate)			1.1	1.3
Cost of Equity	11.1%	$Ke = Rf + (R * B)$			9.8%	12.6%
Equity / (Equity + Net Debt)	82.9%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	17.1%	D			=	=
WACC	9.5%	$WACC = Kd * D + Ke * E$			8.3%	10.7%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Atos	ATO-FR	2,699.3	10.2	32.5%	5.0	12.9%	0.5	1.4%	9.4%	5.0%	82.8%
Tieto	TIETO-FI	2,825.6	10.6	9.0%	7.0	4.6%	1.2	3.0%	17.4%	10.2%	10.0%
Indra	IDR-ES	1,678.2	10.0	11.5%	5.0	6.3%	0.5	4.5%	10.9%	11.2%	6.7%
IT Services			10.2	17.7%	5.7	7.9%	0.7	3.0%	12.6%	8.8%	33.1%
ISE	ISE-ES	36.2	n.a.	53.7%	n.a.	88.7%	7.3	41.2%	n.a.	n.a.	56.2%

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2017	2018	2019	2020 ¹	2021 ¹	2022e	2023e	2024e	CAGR	
Intangible assets	0.0	0.0	0.1	7.3	5.2	4.0	3.1	2.3		
Fixed assets	0.5	0.4	0.2	0.2	0.0	0.1	0.2	0.3		
Other Non Current Assets	-	-	1.6	-	-	-	-	-		
Financial Investments	0.0	0.0	0.0	1.0	0.2	0.2	0.2	0.2		
Goodwill & Other Intangibles	-	-	-	2.1	2.1	2.1	2.1	2.1		
Current assets	1.5	1.3	1.2	2.1	1.3	2.0	2.9	3.8		
Total assets	2.0	1.8	3.1	12.7	8.8	8.4	8.5	8.8		
Equity	(1.7)	(2.2)	(3.1)	(4.4)	(2.8)	(6.7)	(9.1)	(10.0)		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.2	-	-	2.9	2.2	2.2	2.2	2.2		
Other Non Current Liabilities	-	0.3	1.6	-	-	-	-	-		
Net financial debt	0.6	1.2	1.8	8.5	5.3	8.6	10.6	11.2		
Current Liabilities	2.9	2.6	2.9	5.7	4.2	4.3	4.8	5.4		
Equity & Total Liabilities	2.0	1.8	3.1	12.7	8.8	8.4	8.5	8.8		
P&L (EUR Mn)	2017	2018	2019	2020 ¹	2021 ¹	2022e	2023e	2024e	17-21	21-24e
Total Revenues	8.8	8.2	7.7	1.0	3.0	6.2	9.2	12.3	-23.4%	59.7%
Total Revenues growth	-4.0%	-6.6%	-6.0%	-87.5%	214.9%	104.3%	48.5%	34.3%		
COGS	(2.8)	(2.9)	(2.9)	(0.5)	(1.6)	(3.1)	(4.2)	(5.6)		
Gross Margin	6.0	5.3	4.8	0.5	1.4	3.1	5.0	6.7	-30.4%	69.1%
Gross Margin/Revenues	68.0%	64.9%	61.8%	48.0%	46.1%	50.5%	54.0%	54.7%		
Personnel Expenses	(4.9)	(4.5)	(4.2)	(1.5)	(2.9)	(4.2)	(4.4)	(4.6)		
Other Operating Expenses	(1.0)	(1.3)	(1.0)	(0.7)	(0.9)	(1.6)	(2.0)	(2.2)		
Recurrent EBITDA	0.1	(0.4)	(0.4)	(1.7)	(2.4)	(2.7)	(1.4)	(0.0)	n.a.	75.8%
Recurrent EBITDA growth	-68.2%	-477.8%	-3.3%	-314.0%	-43.9%	-10.6%	47.4%	97.6%		
Rec. EBITDA/Revenues	1.2%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Restructuring Expense & Other non-rec.	(0.3)	-	-	-	-	-	-	-		
EBITDA	(0.2)	(0.4)	(0.4)	(1.7)	(2.4)	(2.7)	(1.4)	(0.0)	-86.3%	75.8%
Depreciation & Provisions	(0.1)	(0.1)	(0.1)	(0.3)	(0.8)	(1.2)	(0.9)	(0.7)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	(0.3)	-	-	-	-	-		
EBIT	(0.3)	(0.5)	(0.8)	(1.9)	(3.2)	(3.9)	(2.3)	(0.8)	-76.4%	37.8%
EBIT growth	-273.6%	-56.5%	-53.7%	-144.5%	-64.6%	-20.1%	39.4%	66.9%		
EBIT/Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.1)	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.4)	(0.7)	(0.9)	(2.0)	(3.3)	(3.9)	(2.4)	(0.9)	-69.6%	35.4%
Ordinary Profit Growth	-254.7%	-72.5%	-33.8%	-115.5%	-66.5%	-19.4%	37.9%	63.5%		
Extraordinary Results	-	-	-	0.1	0.2	-	-	-		
Profit Before Tax	(0.4)	(0.7)	(0.9)	(1.9)	(3.1)	(3.9)	(2.4)	(0.9)	-67.6%	34.3%
Tax Expense	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	0.0		
Effective Tax Rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	(0.2)	3.7	-	-	-		
Net Profit	(0.4)	(0.7)	(0.9)	(2.1)	0.5	(3.9)	(2.4)	(0.8)	34.8%	-53.5%
Net Profit growth	-222.5%	-71.9%	-33.6%	-123.6%	125.4%	-855.3%	37.9%	65.5%		
Ordinary Net Profit	(0.1)	(0.7)	(0.9)	(2.0)	(3.3)	(3.9)	(2.4)	(0.9)	n.a.	35.4%
Ordinary Net Profit growth	-135.3%	-658.5%	-33.8%	-115.5%	-66.5%	-19.4%	37.9%	63.5%		
Cash Flow (EUR Mn)	2017	2018	2019	2020 ¹	2021 ¹	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						(2.7)	(1.4)	(0.0)	n.a.	75.8%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(0.5)	(0.4)	(0.4)		
Recurrent Operating Cash Flow						-3.2	-1.8	-0.4	-78.3%	48.4%
CAPEX						(0.1)	(0.1)	(0.1)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.1)	(0.1)		
Tax Expense						(0.0)	(0.0)	0.0		
Recurrent Free Cash Flow						(3.3)	(2.0)	(0.6)	n.a.	42.5%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(3.3)	(2.0)	(0.6)	n.a.	42.5%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						3.3	2.0	0.6		

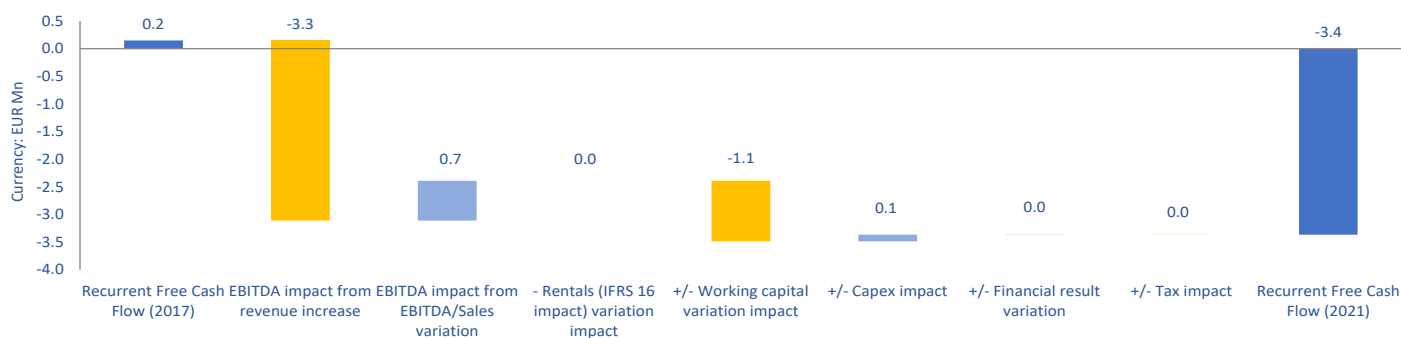
Note 1: FY 2020 results include two months of results of the business of ScytI (acquired in October 2020). Additionally, as a result of the change in the financial close, FY 2021 corresponds to the six-month period between January 1, 2021 and June 30, 2021. The FY prior to 2021 correspond to periods from January 1 to December 31.

Appendix 2. Free Cash Flow⁽¹⁾

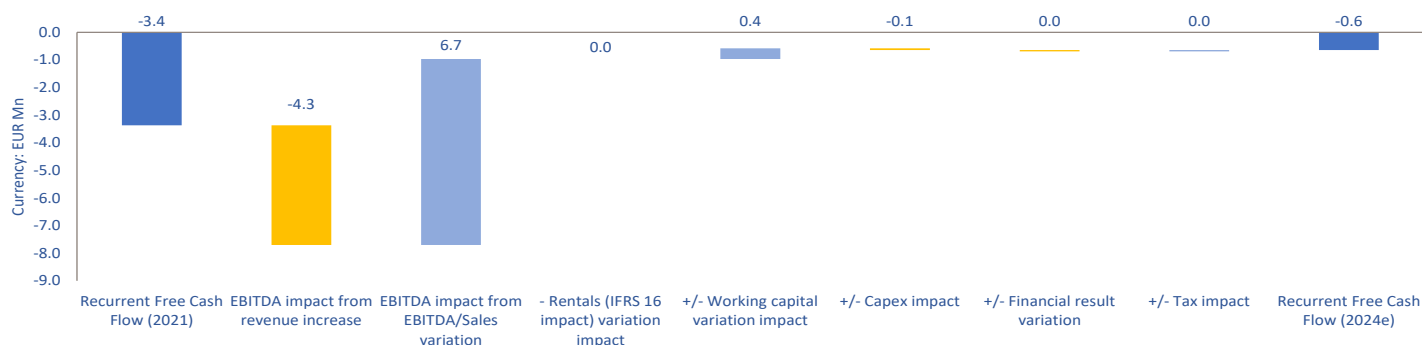
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	(0.4)	(0.4)	(1.7)	(2.4)	(2.7)	(1.4)	(0.0)	-83.3%	75.8%
<i>Recurrent EBITDA growth</i>	-477.8%	-3.3%	-314.0%	-43.9%	-10.6%	47.4%	97.6%		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
- Rentals (IFRS 16 impact)	-	(0.3)	-	-	-	-	-		
+/- Working Capital increase	(0.2)	0.5	1.9	(0.8)	(0.5)	(0.4)	(0.4)		
= Recurrent Operating Cash Flow	(0.6)	(0.2)	0.2	(3.2)	(3.2)	(1.8)	(0.4)	-71.5%	48.4%
<i>Rec. Operating Cash Flow growth</i>	-260.5%	62.1%	193.0%	<i>n.a.</i>	1.8%	43.2%	75.4%		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	23.5%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
- CAPEX	(0.0)	(0.7)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
- Taxes	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0		
= Recurrent Free Cash Flow	(0.8)	(1.0)	0.1	(3.4)	(3.3)	(2.0)	(0.6)	-58.4%	42.5%
<i>Rec. Free Cash Flow growth</i>	-663.2%	-22.4%	110.3%	<i>n.a.</i>	1.2%	39.7%	68.2%		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	11.1%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	-	(4.5)	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(0.8)	(1.0)	(4.3)	(3.4)	(3.3)	(2.0)	(0.6)	-58.4%	42.5%
<i>Free Cash Flow growth</i>	-663.2%	-22.4%	-318.8%	22.5%	1.2%	39.7%	68.2%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	0.3%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
Recurrent FCF (FY - 1)	0.2	(0.8)	(1.0)	0.1	(3.4)	(3.3)	(2.0)		
EBITDA impact from revenue increase	(0.0)	0.0	0.4	(3.6)	(2.5)	(1.3)	(0.5)		
EBITDA impact from EBITDA/Sales variation	(0.5)	(0.0)	(1.6)	2.9	2.3	2.6	1.9		
= Recurrent EBITDA variation	(0.5)	(0.0)	(1.3)	(0.7)	(0.3)	1.3	1.4		
- Rentals (IFRS 16 impact) variation impact	-	(0.3)	0.3	-	-	-	-		
+/- Working capital variation impact	(0.5)	0.7	1.4	(2.7)	0.3	0.1	(0.0)		
= Recurrent Operating Cash Flow variation	(1.0)	0.4	0.5	(3.5)	0.1	1.4	1.4		
+/- CAPEX impact	0.1	(0.6)	0.6	(0.0)	(0.0)	(0.0)	(0.0)		
+/- Financial result variation	(0.1)	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)		
+/- Tax impact	-	0.0	0.0	(0.0)	(0.0)	0.0	0.1		
= Recurrent Free Cash Flow variation	(1.0)	(0.2)	1.1	(3.5)	0.0	1.3	1.4		
Recurrent Free Cash Flow	(0.8)	(1.0)	0.1	(3.4)	(3.3)	(2.0)	(0.6)		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
EBIT	(0.5)	(0.8)	(1.9)	(3.2)	(3.9)	(2.3)	(0.8)	-83.6%	37.8%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	-	-	-		
Recurrent EBITDA	(0.4)	(0.4)	(1.7)	(2.4)	(2.7)	(1.4)	(0.0)	-83.3%	75.8%
- Rentals (IFRS 16 impact)	-	(0.3)	-	-	-	-	-		
+/- Working Capital increase	(0.2)	0.5	1.9	(0.8)	(0.5)	(0.4)	(0.4)		
= Recurrent Operating Cash Flow	(0.6)	(0.2)	0.2	(3.2)	(3.2)	(1.8)	(0.4)	-71.5%	48.4%
- CAPEX	(0.0)	(0.7)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)		
- Taxes (pre- Financial Result)	-	-	-	-	-	-	-		
= Recurrent Free Cash Flow (To the Firm)	(0.7)	(0.9)	0.2	(3.3)	(3.2)	(1.9)	(0.6)	-69.5%	44.4%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-408.6%	-35.1%	120.0%	<i>n.a.</i>	1.8%	41.4%	70.1%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	19.1%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
- Acquisitions / + Divestments	-	-	(4.5)	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(0.7)	(0.9)	(4.3)	(3.3)	(3.2)	(1.9)	(0.6)	-69.5%	44.4%
<i>Free Cash Flow (To the Firm) growth</i>	-408.6%	-35.1%	-366.2%	22.7%	1.8%	41.4%	70.1%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	0.4%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		

Note 1: FY 2020 results include two months of results of the business of Scytll (acquired in October 2020). Additionally, as a result of the change in the financial close, FY 2021 corresponds to the six-month period between January 1, 2021 and June 30, 2021. The FY prior to 2021 correspond to periods from January 1 to December 31.

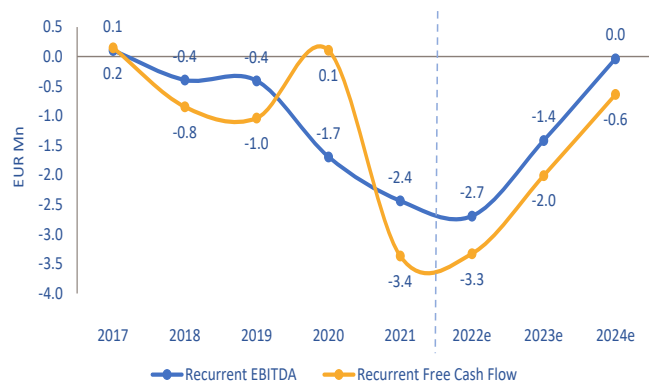
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



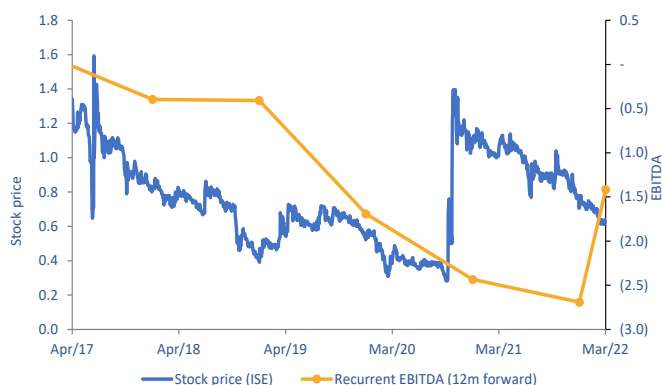
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



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	36.2	
+ Minority Interests	-	6m Results 2022
+ Provisions & Other L/T Liabilities	1.8	6m Results 2022
+ Net financial debt	7.5	6m Results 2022
- Financial Investments	0.6	6m Results 2022
+/- Others		
Enterprise Value (EV)	45.0	

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ⁽⁴⁾	2021 ⁽⁴⁾	2022e	2023e	2024e	CAGR	
															11-21	21-24e
Total Revenues	214.5	208.8	147.2	10.4	9.4	9.1	8.8	8.2	7.7	1.0	3.0	6.2	9.2	12.3	-34.7%	59.7%
Total Revenues growth	5.8%	-2.6%	-29.5%	-92.9%	-9.7%	-2.9%	-4.0%	-6.6%	-6.0%	-87.5%	214.9%	104.3%	48.5%	34.3%		
EBITDA	9.9	5.6	4.8	(0.5)	0.1	0.3	(0.2)	(0.4)	(0.4)	(1.7)	(2.4)	(2.7)	(1.4)	(0.0)	-8.4%	75.8%
EBITDA growth	68.2%	-43.0%	-15.0%	-110.0%	115.5%	344.2%	-161.5%	-95.4%	-3.3%	-314.0%	-43.9%	-10.6%	47.4%	97.6%		
EBITDA/Sales	4.6%	2.7%	3.3%	n.a.	0.8%	3.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Net Profit	(39.8)	(18.2)	(194.0)	86.4	1.8	0.3	(0.4)	(0.7)	(0.9)	(2.1)	0.5	(3.9)	(2.4)	(0.8)	7.2%	-53.5%
Net Profit growth	-207.3%	54.2%	-966.1%	144.5%	-97.9%	-81.6%	-222.5%	-71.9%	-33.6%	-123.6%	125.4%	-855.3%	37.9%	65.5%		
Adjusted number shares (Mn)	6.3	7.1	7.1	7.6	7.6	424.8	54.6	54.8	54.8	54.8	55.6	57.7	57.7	57.7		
EPS (EUR)	-6.31	-2.57	-27.48	11.37	0.23	0.00	-0.01	-0.01	-0.02	-0.04	0.01	-0.07	-0.04	-0.01	7.2%	-52.7%
EPS growth	n.a.	59.3%	n.a.	n.a.	-97.9%	-99.7%	n.a.	-71.0%	-33.6%	n.a.	n.a.	n.a.	37.9%	65.5%		
Ord. EPS (EUR)	-6.31	-2.57	-27.48	-0.39	0.23	0.00	0.00	-0.01	-0.02	-0.04	-0.06	-0.07	-0.04	-0.02	37.3%	36.2%
Ord. EPS growth	n.a.	59.3%	n.a.	98.6%	n.a.	-99.7%	n.a.	n.a.	-33.8%	n.a.	-64.3%	-15.0%	37.9%	63.5%		
CAPEX	(8.7)	(6.0)	(2.7)	(0.0)	(0.0)	(0.3)	(0.2)	(0.0)	(0.7)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)		
CAPEX/Sales % ¹	4.1%	2.9%	1.8%	0.4%	0.1%	2.8%	2.1%	0.4%	8.7%	4.4%	2.0%	1.0%	1.0%	1.0%		
Free Cash Flow	(2.9)	(7.6)	(14.3)	79.7	0.1	0.3	0.2	(0.8)	(1.0)	(4.3)	(3.4)	(3.3)	(2.0)	(0.6)	-1.6%	42.5%
ND/EBITDA (x) ⁽³⁾	9.2x	18.0x	15.8x	n.a.	n.a.	1.3x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
P/E (x)	n.a.	n.a.	n.a.	n.a.	7.6x	n.a.	n.a.	n.a.	n.a.	n.a.	75.3x	n.a.	n.a.	n.a.		
EV/Sales (x)	0.59x	0.56x	0.63x	4.31x	4.56x	9.60x	5.10x	2.82x	3.94x	n.a.	n.a.	7.27x	4.90x	3.65x		
EV/EBITDA (x) ⁽³⁾	12.7x	20.8x	19.3x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Absolute performance	-42.0%	-46.5%	-23.0%	-24.5%	0.0%	-10.6%	-49.5%	-50.1%	30.7%	105.9%	-34.3%	-11.0%				
Relative performance vs Ibex 35	-33.2%	-43.9%	-36.5%	-27.1%	7.7%	-8.8%	-53.0%	-41.3%	16.9%	143.6%	-39.1%	-8.9%				

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: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Note 4: FY 2020 results include two months of results of the business of ScytI (acquired in October 2020). Additionally, as a result of the change in the financial close, FY 2021 corresponds to the six-month period between January 1, 2021 and June 30, 2021. The FY prior to 2021 correspond to periods from January 1 to December 31.

Appendix 5. Main peers 2022e

		IT Services					
		EUR Mn	Atos	Tieto	Indra	Average	ISE
Market data	Ticker (Factset)		ATO-FR	TIETO-FI	IDR-ES		ISE-ES
	Country		France	Finland	Spain		Spain
	Market cap		2,699.3	2,825.6	1,678.2		36.2
	Enterprise value (EV)		5,185.0	3,471.3	1,934.9		45.0
Basic financial information	Total Revenues		10,940.8	2,865.7	3,518.8		6.2
	Total Revenues growth		0.9%	1.5%	3.8%	2.1%	104.3%
	2y CAGR (2022e - 2024e)		1.4%	3.0%	4.5%	3.0%	41.2%
	EBITDA		1,029.0	498.4	383.5		(2.7)
	EBITDA growth		-2.2%	20.3%	14.1%	10.8%	-10.6%
	2y CAGR (2022e - 2024e)		12.9%	4.6%	6.3%	7.9%	88.7%
	EBITDA/Revenues		9.4%	17.4%	10.9%	12.6%	n.a.
	EBIT		414.3	339.7	283.6		(3.9)
	EBIT growth		107.1%	35.5%	16.9%	53.2%	-20.1%
	2y CAGR (2022e - 2024e)		26.1%	7.9%	7.8%	14.0%	55.2%
	EBIT/Revenues		3.8%	11.9%	8.1%	7.9%	n.a.
	Net Profit		268.3	216.1	169.6		(3.9)
	Net Profit growth		109.1%	-25.9%	18.3%	33.8%	-855.3%
	2y CAGR (2022e - 2024e)		32.6%	11.8%	10.7%	18.4%	53.7%
CAPEX/Sales %		3.1%	3.2%	1.8%	2.7%	1.0%	
Free Cash Flow		134.0	287.8	187.6		(3.3)	
Net financial debt		1,264.9	500.1	187.3		8.6	
ND/EBITDA (x)		1.2	1.0	0.5	0.9	n.a.	
Pay-out		14.5%	79.8%	18.9%	37.7%	0.0%	
Multiples and Ratios	P/E (x)		10.2	10.6	10.0	10.2	n.a.
	P/BV (x)		0.6	1.5	1.7	1.3	n.a.
	EV/Revenues (x)		0.5	1.2	0.5	0.7	7.3
	EV/EBITDA (x)		5.0	7.0	5.0	5.7	n.a.
	EV/EBIT (x)		12.5	10.2	6.8	9.9	n.a.
	ROE		5.6	14.6	17.5	12.5	83.2
	FCF Yield (%)		5.0	10.2	11.2	8.8	n.a.
	DPS		0.35	1.46	0.18	0.66	0.00
Dvd Yield		1.5%	6.1%	1.9%	3.2%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

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

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
04-Apr-2022	n.a.	0.63	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
06-Sep-2021	n.a.	0.88	n.a.	n.a.	12m Results 2021	David López Sánchez
02-Jul-2021	n.a.	0.98	n.a.	n.a.	Important news	David López Sánchez
19-May-2021	n.a.	1.09	n.a.	n.a.	12m Results 2020	David López Sánchez
05-Mar-2021	n.a.	1.01	n.a.	n.a.	Important news	David López Sánchez
15-Dec-2020	n.a.	1.08	n.a.	n.a.	Initiation of Coverage	David López Sánchez

