

12m Results 2021

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to lower our estimates

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Business description

Squirrel Media (SQRL), formerly Vertice 360, is a Spanish group present throughout the value chain of the entertainment and media sector through three businesses: (i) Media (essentially advertising; 79.4% of 2021 revenue), (ii) Content (production and distribution of audiovisual content; 8.3%) and (iii) TMT services (12.3% of revenue).

2021: a difficult year and worse than expected (that should represent a bottom for the business)

SQRL closed its first full financial year since the integration of the media business of Squirrel Capital in Vertice360 in July 2020. This significantly distorts any comparative analysis with the company's past. Specifically, we highlight:

Market Data

Market Cap (Mn EUR and USD)	313.6	352.6
EV (Mn EUR and USD) ⁽²⁾	320.2	360.0
Shares Outstanding (Mn)	85.9	
-12m (Max/Med/Min EUR)	4.09 / 3.79 / 3.34	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	2.2	
Factset / Bloomberg	SQRL-ES / SQRL SM	
Close fiscal year	31-Dec	

WEAKER THAN EXPECTED REVENUE (EUR 69.7MMN)... SQRL closed 2021 with revenue of EUR 69.7Mn (vs EUR 32.1Mn in 2020 and our estimate of EUR 79.7Mn) that, despite mathematical growth from the integration of the Media/Advertising business in 2020 (today c. 80% of revenue), continues to suffer from the difficult backdrop already seen in the first half of 2021 (revenue for 2H21 in isolation -11.7% vs 1H21).

Shareholders Structure (%)

Squirrel Capital	92.6
Free Float	7.4

... WITH A CONTENT BUSINESS THAT REMAINS HEAVILY PENALISED. The content business (8.3% of revenue) has been hit head-on by the disruptions caused by the Covid-19 crisis and closed 2021 with similar figures to those seen in 2020 (still well below levels for 2019; due to the logical reduction in new releases in cinemas). 2021 Content revenue: EUR 5.8Mn (-1.6% vs 2020 and -23.5% vs 2019).

Relative performance (Base 100)



PREVENTING THE EXPECTED MARGIN IMPROVEMENT (EBITDA EUR 7.4MMN). The weak sales figure together with the increased weighting of the Media/Advertising business (with smaller margins) in the revenue mix has resulted in a worsening of margins vs 1H21: the 2021 Recurrent EBITDA margin was 10.7% (vs 14.3% in 1H21 and our estimate of 15.2%). As a result, 2021 EBITDA was EUR 7.4Mn.

NET PROFIT, EUR 5.7MMN. In the case of SQRL, there are no large surprises below the EBITDA line. With no significant impact of financial expenses or associates, the amortisation of audiovisual content (c. EUR 2.4Mn) is the main item between EBITDA and PBT. The EBITDA generated by SQRL in 2021 resulted in net profit of EUR 5.7Mn (vs EUR 1.4Mn in 2020).

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	4.7	-0.8	-8.9	n.a.
vs Ibex 35	4.6	3.3	-10.7	n.a.
vs Ibex Small Cap Index	1.9	0.2	-5.1	n.a.
vs Eurostoxx 50	7.6	7.2	-15.4	n.a.
vs Sector benchmark ⁽⁴⁾	4.0	5.8	-21.3	n.a.

INCREASED CAPEX DRIVES NET DEBT TO EUR 7.2MMN. In 2021 SQRL increased CAPEX to EUR 11.4Mn (vs EUR 3.2Mn in 2020) in order to grow its catalogue of audiovisual content (SQRL currently has 44 films slated for release in 2022-2024 in Spain, Italy, Portugal and Latam; vs a traditionally domestic business). This resulted in ND of EUR 7.2Mn at the close of 2021 (ND/EBITDA < 1x).

IN CONCLUSION, WEAK RESULTS BELOW EXPECTATIONS, BUT THAT SHOULD REPRESENT A "BOTTOM" FOR THE COMPANY. These results illustrate the difficulties of growing the media and content businesses in the current context. However, 2021 results do not yet reflect: (i) the CAPEX effort aimed at growing the content catalogue (that should begin to be visible in the 2022e P&L) and (ii) the acquisition of the audiovisual shareholdings of Vocento announced in 4Q21 (a transaction that implies a step-up in size: c. EUR 25Mn more revenue and c. EUR 7Mn more EBITDA; not yet included in our estimates). Just taking into account non-organic growth, SQRL should aspire to levels of revenue always above c. EUR 95Mn in 2022e. This explains why 2021 can be seen as a "bottom" year for the business.

(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 2.

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

(4) vs Stoxx Europe 600 Media.

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

Appendix 1. Results table

EUR Mn	12m21		12m21 Real		12m21 Real	
	Real	12m20	vs 12m20	2021e	vs 2021e	
Total Revenues	69.7	32.1	117.2%	79.7	-12.5%	
Media	55.3	17.3	219.8%	60.0	-7.8%	
Content	5.8	5.9	-1.6%	10.7	-45.7%	
TMT Services	8.6	8.9	-3.5%	9.0	-4.7%	
EBITDA	7.4	2.7	171.2%	12.1	-38.5%	
<i>EBITDA/Revenues</i>	<i>10.7%</i>	<i>8.5%</i>	<i>2.1 p.p.</i>	<i>15.2%</i>	<i>-4.5 p.p.</i>	
NP	5.7	1.4	309.4%	9.7	-41.0%	
Net Debt	7.2	1.4	n.a.	6.6	8.1%	

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	313.6	
+ Minority Interests	(0.2)	12m Results 2021
+ Provisions & Other L/T Liabilities	0.1	12m Results 2021
+ Net financial debt	7.2	12m Results 2021
- Financial Investments	0.4	12m Results 2021
+/- Others		
Enterprise Value (EV)	320.2	

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28-Feb-2022	n.a.	3.65	n.a.	n.a.	12m Results 2021	David López Sánchez
01-Dec-2021	n.a.	3.75	n.a.	n.a.	Important news	David López Sánchez
15-Nov-2021	n.a.	3.70	n.a.	n.a.	9m Results 2021	David López Sánchez
30-Jul-2021	n.a.	3.79	n.a.	n.a.	6m Results 2021 - Estimates downgrade	David López Sánchez
02-Mar-2021	n.a.	3.94	n.a.	n.a.	12m 2020 Preliminary results	David López Sánchez
29-Jan-2021	n.a.	3.86	n.a.	n.a.	Initiation of Coverage	David López Sánchez

