

**EQUITY - SPAIN**

Sector: Media

 Closing price: EUR 2.45 (27 Feb 2023)  
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**12m Results 2022**  
 Independent Equity Research

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**Opinion** <sup>(1)</sup>: In line

**Impact** <sup>(1)</sup>: We will maintain our estimates

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**Business description**

Squirrel Media (SQRL), is a Spanish group present throughout the value chain of the entertainment and media sector through its businesses of: (i) Advertising (50.5% of revenue), (ii) Content (production and distribution of audiovisual content; 5.9%), (iii) TMT services (11.8%) and (iv) Media (31.2%).

**Market Data**

Market Cap (Mn EUR and USD)	218.1	231.3
EV (Mn EUR and USD) <sup>(2)</sup>	251.4	266.5
Shares Outstanding (Mn)	89.0	
-12m (Max/Med/Mín EUR)	3.75 / 3.01 / 2.22	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation <sup>(3)</sup>	1.9	
Factset / Bloomberg	SQRL-ES / SQRL SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%)**

Squirrel Capital	92.6
Free Float	7.4

**Relative performance (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	-5Y
Absolute	-4.3	-5.4	-32.9	n.a.
vs Ibex 35	-6.9	-14.5	-38.8	n.a.
vs Ibex Small Cap Index	-5.1	-16.3	-35.8	n.a.
vs Eurostoxx 50	-5.9	-11.8	-37.3	n.a.
vs Sector benchmark <sup>(4)</sup>	-9.3	-11.6	-37.1	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 1.

(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.

## 2022, in line. 4QT in isolation already shows a significant rebound in revenue

### STRONG GROWTH IN REVENUE DRIVEN BY M&A (EUR 80MN; +14.3% VS 2021).

SQRL ended 2022 with revenue of EUR 80Mn (+14.3% vs 2021), boosted by the acquisition of the Media business in January 2022. Revenue growth that occurred mainly in 4Q: in 4Q22 alone SQRL generated revenue of EUR 21.5Mn (+67% vs 4Q21); remarkable growth, that confirms the beginning of the recovery in revenue already seen in 9m22 results (while still waiting for the content business to reflect the investments made in recent years).

### THE IMPROVEMENT IN MARGINS HAS ALLOWED EBITDA TO TAKE OFF (EUR 13.5MN; +81.3% VS 2021).

The EBITDA margin is confirmed to be well above 2021 levels, increasing to 16.8% in 2022 (vs 10.6% in 2021). This, together with the revenue growth, explains the surge in EBITDA to EUR 13.5Mn (+81.3% vs 2021; in line with our estimates).

### NET PROFIT: EUR 7.8MN (+40% VS 2021).

With no significant impact of financial expenses (EUR 0.7Mn), the amortisation of audiovisual content is the main item between EBITDA and PBT. The EBITDA generated by SQRL in 2022 translates to pre-tax profit of EUR 10.8Mn (double the EUR 5.4Mn of 2021). Below PBT until NP the main items that we find are: i) taxes (EUR 1.4Mn) and ii) minorities (EUR 1.6Mn in 2022), leaving 2022 net profit at EUR 7.8Mn (+40% vs 2021).

### THE CAPEX EFFORT INCREASED NET DEBT TO EUR 23.4MN.

In 2022 SQRL made a significant investment effort both in terms of: i) non-organic growth and ii) an increase in CAPEX to EUR 20.6Mn (vs EUR 11.8Mn in 2021) earmarked for “nurturing” its catalogue of audiovisual content (one of the main LT growth levers). An important investment effort reflected in an increase in ND to EUR 23.4Mn (2022 ND/EBITDA 1.7x: an objectively favourable balance sheet position from which to continue to invest in the business and seek M&A opportunities).

### RESULTS IN LINE, THAT CONFIRM THE BEGINNING OF THE RECOVERY IN REVENUE.

2022 can be seen as a year of two totally contrasting halves, with a weak start to the year that clearly improved as the year progressed (especially in 4Q). With visibility still low in 2023e and 2024e, today’s snapshot is one of a company already showing revenue growth and consolidating high margins (EBITDA margin 16.8%); whose significant investment effort made to enlarge its catalogue has yet to be reflected in the P/L (with 44 films slated for release in Spain, Italy, Portugal, Andorra and Latam between 2023e and 2025e vs 8 in 2022 just in Spain).

**Table 1. 12m22 Results**

EUR Mn	12m22 Real	12m21	12m22 Real vs 12m21	2022e	12m22 Real vs 2022e	4Q22	4Q22 vs 4Q21
<b>Total Revenues</b>	<b>80.0</b>	<b>70.0</b>	<b>14.3%</b>	<b>85.4</b>	<b>-6.3%</b>	<b>21.5</b>	<b>66.8%</b>
<b>Recurrent EBITDA</b>	<b>13.5</b>	<b>7.4</b>	<b>81.3%</b>	<b>14.7</b>	<b>-8.1%</b>	<b>3.3</b>	<b>n.a.</b>
<i>Rec. EBITDA/Revenues</i>	<i>16.8%</i>	<i>10.6%</i>	<i>6.2 p.p.</i>	<i>17.2%</i>	<i>-0.3 p.p.</i>	<i>15.4%</i>	<i>14.0 p.p.</i>
<b>PBT</b>	<b>10.8</b>	<b>5.4</b>	<b>100.8%</b>	<b>11.7</b>	<b>-7.2%</b>		
<b>NP</b>	<b>7.8</b>	<b>5.6</b>	<b>40.0%</b>	<b>9.2</b>	<b>-15.0%</b>		
CAPEX	20.6	11.8	74.1%	15.1			
Net Debt	23.4	7.2	226.3%	21.1	11.0%		

## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	218.1	
+ Minority Interests	0.3	12m Results 2022
+ Provisions & Other L/T Liabilities	13.2	12m Results 2022
+ Net financial debt	23.4	12m Results 2022
- Financial Investments	3.7	12m Results 2022
+/- Others		
<b>Enterprise Value (EV)</b>	<b>251.4</b>	

## LIGHTHOUSE

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Feb-2023	n.a.	2.45	n.a.	n.a.	12m Results 2022	David López Sánchez
18-Nov-2022	n.a.	2.65	n.a.	n.a.	9m Results 2022 - Estimates downgrade	David López Sánchez
04-Aug-2022	n.a.	3.11	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
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

