

12m Results 2020

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

Service Point Solutions (SPS) is a Spanish company whose traditional businesses are on-demand printing services, commercial printing and document management solutions (c. 30% of 2021e revenue). In October 2020 there was a change of sector towards the IT segment with the acquisition of ScytI (c. 70% of 2021e revenue), a leading player in electronic voting with an international presence.

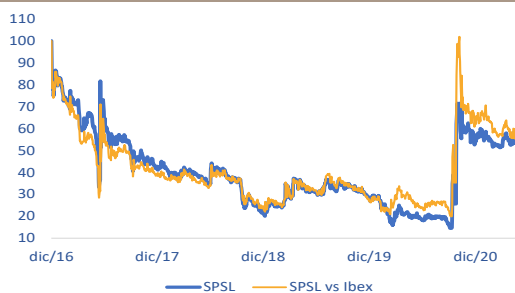
Market Data

Market Cap (Mn EUR and USD)	59.8	73.1
EV (Mn EUR and USD) ⁽²⁾	68.6	83.8
Shares Outstanding (Mn)	54.8	
-12m (Max/Med/Min EUR)	1.40 / 0.79 / 0.28	
Daily Avg volume (-12m Mn EUR)	0.36	
Rotation ⁽³⁾	153.8	
Refinitiv / Bloomberg	SPSL.MC / SPS SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Paragon Group	80.5
Free Float	19.5

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.0	2.8	173.2	n.a.
vs Ibex 35	-6.2	-9.8	101.7	n.a.
vs Ibex Small Cap Index	0.5	-0.7	74.1	n.a.
vs Eurostoxx 50	0.7	-5.5	98.6	n.a.
vs Sector benchmark ⁽⁴⁾	5.4	2.3	101.9	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 2.

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

(4) vs Eurostoxx 600 Technology.

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

2020: A year shaped by Covid-19 (and not yet reflecting the acquisition of ScytI)

EXPECTED FALL IN REVENUE (EUR 6.5Mn; -15.5% vs 2019)..., mainly due to the impact of Covid-19 on SPS' core businesses (digital printing and document management: -25.2% vs 2019). This decline in revenue was partly offset by the integration of ScytI (a benchmark company in the electronic voting business acquired in November 2020) that, despite only contributing during two months to the consolidated accounts and having previously filed for bankruptcy, generated revenue of EUR 0.9Mn (vs c. EUR 1Mn in our estimates).

...REDUCING EBITDA TO EUR -1.2Mn (VS EUR -0.4 Mn IN 2019). Although cost containment measures (the Spanish subsidiary filed a *force majeure* temporary lay-off scheme for the entire workforce of 75 employees with savings of 29% in personnel costs) enabled SPS to maintain EBITDA at breakeven in its core business (EUR -0.2Mn vs EUR -0.4Mn in 2019), the integration of the ScytI workforce (c. 150 employees; the division's main expense) dragged EBITDA down to EUR -1.2Mn.

WITH LOSSES AT THE NET PROFIT LEVEL CONTINUING (EUR -2Mn). There are no large surprises below the EBITDA line: (i) EUR 0.8Mn in amortisations, (ii) no significant impact of financial expenses (EUR 0.1Mn) and (iii) maintaining a very high volume of unused tax credits (c. EUR 482Mn off balance sheet at the 2019 close) that, in the event of reaching levels of positive ordinary NP, should allow SPS to maintain a tax rate close to zero in the coming years.

AND AN INCREASE IN DEBT (ND: EUR 6.3Mn), a result of the financing obtained (mainly from the core shareholder, Grupo Paragon; with no specific repayment date) to finance the acquisition of ScytI for a total amount of EUR 4.8Mn (EUR 2.4Mn pending payment at the 2020 close, of which EUR 1.1Mn will be paid in shares and EUR 1.2Mn in cash). In March 2021, SPS approved the capital increase via the offsetting of credit balances for the two financial entities that had opted for a partial payment in shares (EUR 1.1Mn; c. 5% of SPS's capital).

ALTHOUGH THE SPOTLIGHT REMAINS ON THE STRATEGIC CHANGE IN BUSINESS DIRECTION (THAT HAS ONLY JUST BEGUN). We think the acquisition of ScytI (a tech company in a high growth niche) in November 2020 represents a genuine turning point for SPS. Despite 2020 results (that logically reflect a difficult year for SPS' core business), in the end everything hinges on the unknown quantity of the integration of ScytI being executed successfully.

AND THAT SHOULD BEGIN TO BE VISIBLE ALREADY IN 1H21e RESULTS. We keep SPS's equity story intact: the opportunity (and risk) lies in making the acquisition of ScytI truly profitable that should allow for a significant step-up in size visible already in 2021e; and that in our 2021e estimates translates to revenue of c. EUR 20Mn, maintaining EBITDA at breakeven. However, at present we continue to be confronted by a riddle that the business performance in 2021e should begin to resolve (1H21 results?) and that the lure of a potential take-off of EBITDA and FCF from 2022e makes it advisable not to lose sight of.

Appendix 1. Results table

EUR Mn	12m20		12m20 Real		2020e vs	
	Real	12m19	vs 12m19	2020e	2019	
Total Revenues	6.5	7.7	-15.5%	7.0	-8.9%	
Traditional businesses	5.6	7.7	-27.0%	5.8	-24.3%	
Electronic voting	0.9	0.0	n.a.	1.0	n.a.	
Recurrent EBITDA	-1.2	-0.4	-194.1%	-0.6	-56.8%	
<i>Rec. EBITDA/Revenues</i>	-18.5%	-5.3%	-13.2 p.p.	-9.1%	-3.8 p.p.	
EBIT	-2.0	-0.8	-148.1%	-1.1	-38.7%	
PBT	-2.0	-0.9	-123.1%	-1.2	-29.8%	
Ordinary NP	-2.0	-0.9	-122.5%	-1.2	-29.8%	
Net Debt	6.3	1.8	262%	4.9	180%	

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	59.8	
+ Minority Interests	-	12m Results 2020
+ Provisions & Other L/T Liabilities	3.5	12m Results 2020
+ Net financial debt	6.3	12m Results 2020
- Financial Investments	1.0	12m Results 2020
+/- Others ⁽¹⁾		
Enterprise Value (EV)	68.6	

(1) SPS has a very high volume of unused tax loss carryforwards (c. EUR 482Mn off balance sheet at the 2019 close)

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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

