

12m 2020 Preliminary results

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

Business description

Vértice 360 (VTSG) is a Spanish group present throughout the value chain of the entertainment and media sector through three businesses: (i) Media (essentially advertising; 72.4% of 2021e revenue), (ii) Content (production and distribution of audiovisual content; 16.2%) and (iii) TMT services (11.4% of revenue).

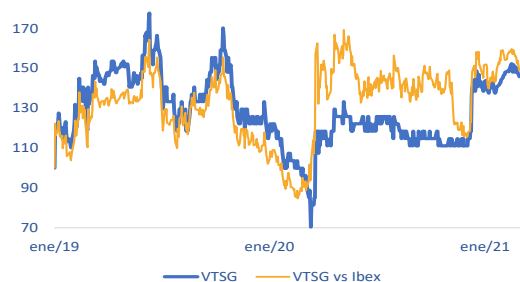
Market Data

Market Cap (Mn EUR and USD)	338.5	407.8
EV (Mn EUR and USD) ⁽²⁾	344.9	415.6
Shares Outstanding (Mn)	85.9	
-12m (Max/Med/Min EUR)	4.12 / 3.30 / 1.90	
Daily Avg volume (-12m Mn EUR)	0.19	
Rotation ⁽³⁾	14.6	
Refinitiv / Bloomberg	VTSG.MC / VER SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Squirrel Capital	94.3
Free Float	5.7

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.5	31.3	57.6	n.a.
vs Ibex 35	-6.4	27.6	64.1	n.a.
vs Ibex Small Cap Index	-7.3	17.9	20.9	n.a.
vs Eurostoxx 50	-4.3	24.9	41.6	n.a.
vs Sector benchmark ⁽⁴⁾	-2.6	21.5	44.1	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 Eurostoxx 600 Media.

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

2020: Results in line (that do not yet fully reflect the step-up in size due to M&A)

VTSG has released preliminary 2020 results with a breakdown of the main (unaudited) P&L and balance sheet items. These point to 2020 results in line with estimates. We will include figures for 2020 in our model when the audited results are released. We highlight:

A STEP-UP IN SCALE IN REVENUES TO EUR 32.1MN (VS EUR 10.8MN). The integration of Squirrel's media/advertising business in July 2020 represents an authentic step-up in scale for the company that, despite only being consolidated for five months in 2020 results, boosts revenues to EUR 32.1Mn (vs EUR 10.8Mn in 2019). Moreover, it diversifies the company's activity (advertising already accounts for c. 46% of the revenue mix) and cushions the impact of the pandemic on the content business (-22.5% vs 2019).

WITH EBITDA FULLY IN LINE WITH ESTIMATES. The step-up in scale seen in revenues drives EBITDA to EUR 4.8Mn (vs EUR 1.7Mn in 2019) although with a margin that declines to c. 14.9% (vs 15.7% in 2019) due to the integration of the media business (smaller margins).

MAINTAINING A STRONG BALANCE SHEET STRUCTURE. Net debt increases to EUR 1.4Mn (vs a net cash position of EUR 0.4Mn in 2019). The current balance sheet structure not only allows VTSG to access new financing and accelerate new investments in the audiovisual content area (we estimate high CAPEX in 2021e: EUR 15Mn), but also allows the company to maintain its strategy of continuing to grow via M&A.

WHAT CAN BE EXPECTED FROM 2021E? With 2020 results in line, we leave our estimates unchanged. The scenario we envisage in 2021e should allow VTSG to achieve: (i) revenues of c. EUR 95Mn (+30% vs 2019 proforma), that, simply as a result of the company's operating leverage, should translate to EBITDA of c. EUR 19Mn (EBITDA margin c. 20%). Maintaining at all times a healthy balance sheet structure.

THE KEY REMAINS THE DEGREE OF SUCCESS OF THE INTEGRATION OF THE MEDIA BUSINESS IN 2021. And its materialisation in more growth and cash generation. 2021e is a crucial year for validating VTSG's capacity for long-term growth and its business model after the integration of Squirrel's assets. This is especially important as it is the only way to provide support for current multiples (2021e EV/Rec. EBITDA c.18x).

EUR Mn	12m20 Real	12m20 Real vs 12m19	12m20 Real 2020e	12m20 Real vs 2020e	4Q20	4Q19	
Total Revenues	32.1	10.8	197.9%	34.8	-8.0%	15.3	369.3%
Media	17.3	0.0	n.a.	20.8	-16.9%	11.0	n.a.
Content	5.9	7.6	-22.5%	5.9	0.6%	1.8	39.3%
TMT Services	8.9	3.2	181.9%	8.2	8.6%	2.5	26.2%
EBITDA	4.8	1.7	181.6%	4.8	-1.3%	1.4	241.1%
EBITDA/Revenues	14.9%	15.7%	-0.9 p.p.	13.9%	1.0 p.p.	9.4%	n.a.
PBT	3.4	8.8	-61.5%	3.5	-2.7%	0.8	-87.9%
Net Debt	1.4	-0.4	482%	-0.3			
ND / EBITDA	0.3 x	-0.2 x	0.5 x	-0.1 x			

Note: In July 2020 VTSG acquired the media business (essentially advertising) of Squirrel Capital which significantly distorts any comparative analysis with the company's past.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	338.5	
+ Minority Interests	1.6	12m Results 2020
+ Provisions & Other L/T Liabilities	4.0	12m Results 2020
+ Net financial debt	1.4	12m Results 2020
- Financial Investments	0.5	12m Results 2020
+/- Others		
Enterprise Value (EV)	344.9	

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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

