

**12m Results 2023**

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

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

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LLYC is a communication consultancy company operating in the field of corporate communication, digital marketing and public affairs combining traditional corporate communication services with technological and creative capabilities. It has a leadership position in both Spain and Portugal (53% of 2020 revenue) and in Latam (c. 47% of revenue).

## FY23 earnings: in line. Sound fundamentals and compelling multiples

**Market Data**

Market Cap (Mn EUR and USD)	96.0	104.7
EV (Mn EUR and USD) <sup>(2)</sup>	95.2	103.8
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Min EUR)	11.65 / 9.86 / 8.15	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation <sup>(3)</sup>	2.7	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%) <sup>(7)</sup>**

LLYC Partners	54.3
Legacy Jose Antonio Llorente	15.6
Otros socios LLYC	9.1
Indumenta Pueri	7.5
Free Float	10.7

**Financials (Mn EUR)**

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	11.6	11.6	11.6	11.6
Total Revenues	89.5	101.2	111.5	120.4
Rec. EBITDA	15.2	17.6	19.8	21.5
% growth	19.6	16.3	12.3	8.7
% Rec. EBITDA/Rev.	17.0	17.4	17.8	17.9
% Inc. EBITDA sector <sup>(4)</sup>	11.3	9.9	8.4	7.2
Net Profit	7.0	8.9	10.2	11.0
EPS (EUR)	0.60	0.77	0.87	0.95
% growth	18.6	28.3	13.7	8.6
Ord. EPS (EUR)	0.65	0.77	0.87	0.95
% growth	6.4	18.9	13.7	8.6
Rec. Free Cash Flow <sup>(5)</sup>	4.6	5.5	7.6	8.2
Pay-out (%)	21.4	16.7	23.0	23.0
DPS (EUR)	0.13	0.13	0.20	0.22
Net financial debt	-1.5	0.2	-1.2	-6.9
ND/Rec. EBITDA (x)	-0.1	0.0	-0.1	-0.3
ROE (%)	22.3	23.5	22.3	20.5
ROCE (%) <sup>(5)</sup>	27.0	26.8	24.8	24.2

**Ratios & Multiples (x) <sup>(6)</sup>**

	2022	2023e	2024e	2025e
P/E	13.8	10.8	9.5	8.7
Ord. P/E	12.8	10.8	9.5	8.7
P/BV	2.8	2.3	1.9	1.7
Dividend Yield (%)	1.6	1.6	2.4	2.6
EV/Sales	1.06	0.94	0.85	0.79
EV/Rec. EBITDA	6.3	5.4	4.8	4.4
EV/EBIT	8.2	6.4	5.7	5.2
FCF Yield (%) <sup>(5)</sup>	4.8	5.7	7.9	8.6

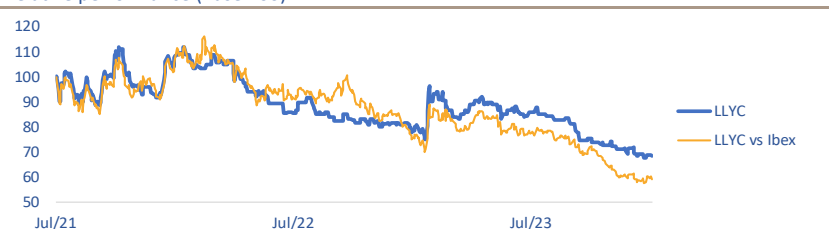
**M&A ADDED MOMENTUM TO REVENUE (+13.3% VS 2022)...** LLYC reported revenue for FY23 of EUR 101.4Mn (vs EUR 89.5Mn in 2022). Growth drivers included: i) M&A, which contributed 42.6% of total growth (EUR 5Mn, estimated by LH) and ii) organic growth, of EUR 6.7Mn (vs EUR 13.5Mn in 2022), reflecting the slowdown in demand caused by the overall macroeconomic environment (e.g. inflation, interest-rate hikes, contraction in GDP).

**...AND EXTENDED THE COMPANY'S INTERNATIONAL EXPOSURE.** Thanks to the acquisition of 80% of California-based BAM (total EV: EUR 12.2Mn) in April 2023, with pro forma revenue for 2023 of EUR 8.5Mn (estimated by LH), the US is now the company's third largest market after Spain and Mexico. International sales accounted for 55% of revenue in 2023e (vs 52% in 2022).

**WITHOUT UNDERMINING PROFITABILITY (EBITDA MARGIN 2023: 17%)...** LLYC defended its EBITDA margin in 2023, keeping it at around 17% (in line with 2022) in the wake of acquisitions and the impact of inflation on OPEX (already witnessed in 2H22). This was possible thanks to: i) the broad range of services in all stages of the cycle (expansion/recession), ii) the pass-through of inflation-induced increases in costs and iii) success in containing M&A integration costs.

**...AND WITH STRONG CASH GENERATION.** LLYC's business model enables the company to convert c.30% of its EBITDA into cash. The company ended 2023 with net debt of EUR 0.2Mn (net cash in 2022 of EUR 1.5Mn). Although it still has to pay c. EUR 4Mn of earn-outs, the sound financial position paves the way for the company to continue with its inorganic growth strategy.

**A STORE OF VALUE THAT HAS BEEN OVERLOOKED?** Once again, LLYC has showcased its defensive profile, delivering double-digit growth amid an especially challenging macro backdrop. Highlights include: i) sustained revenue growth (CAGR 2018-2023e: +19.5%; c.55% recurring), ii) diversified business mix (by range of operations and geographically), iii) focus on profitability (long-run EBITDA margin of 17%-20%), iv) ability to generate FCF and v) active dividend distribution policy (payout c.23%). All this with a "clear" store of value (ROCE: 26.8% vs WACC: 9.2%). The share price fell 13.1% over the last 12 months, leaving LLYC trading at an EV/EBITDA 2023e of 5.4x and a P/E 2023e of 10.8x.

**Relative performance (Base 100)**


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-4.6	-7.3	-13.1	-1.2	n.a.	n.a.
vs Ibex 35	-3.3	-16.6	-21.9	0.1	n.a.	n.a.
vs Ibex Small Cap Index	-6.0	-13.7	-10.3	-2.3	n.a.	n.a.
vs Eurostoxx 50	-5.5	-17.4	-21.0	-2.1	n.a.	n.a.
vs Sector benchmark <sup>(4)</sup>	-9.3	-19.1	-29.4	-5.7	n.a.	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 3.

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

(4) Sector: Stoxx Europe 600 Media.

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

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

(7) Others: Treasury stock 2.8%, Alejandro Romero 5.2%, Luisa Garcia 2.1%, Adolfo Corujo 1.8%

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

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## LLYC is a BME Growth company

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BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 140 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

## 12m Results 2023

### Preliminary 2023 Results

LLYC has released preliminary 2023 results with a breakdown of the main (unaudited) P&L items (including Net Debt information). The audited 2023 results will be released at the end of March 2024.

EUR Mn	2023	2022	2023 vs 2022	2023e	2023 Real vs 2023e
<b>Total Revenues</b>	<b>101.4</b>	<b>89.5</b>	<b>13.3%</b>	<b>101.2</b>	<b>0.2%</b>
<b>Operating revenues<sup>(1)</sup></b>	<b>83.1</b>	<b>72.7</b>	<b>14.3%</b>	<b>83.3</b>	<b>-0.3%</b>
<i>Gross Margin/Revenues</i>	<i>82.0%</i>	<i>81.3%</i>	<i>0.7 p.p.</i>	<i>82.3%</i>	<i>-0.3 p.p.</i>
<b>Recurrent EBITDA<sup>(2)</sup></b>	<b>17.2</b>	<b>15.2</b>	<b>13.4%</b>	<b>17.6</b>	<b>-2.5%</b>
<i>Rec. EBITDA/Revenues</i>	<i>17.0%</i>	<i>17.0%</i>	<i>0.0 p.p.</i>	<i>17.4%</i>	<i>-0.5 p.p.</i>
<b>Net Debt/Net Cash</b>	<b>0.2</b>	<b>-1.5</b>	<b>113.1%</b>	<b>0.2</b>	<i>n.a</i>

Note 1: Total revenues less re-invoicing of clients for services (gross margin in our numbers).

Note 2: Rec. EBITDA adjusted to strip out the impact of: "Work carried out by the group on its assets" for EUR 1.2Mn and EUR 0.8Mn in 2023 and 2022, respectively.

**BAM:** BAM: LLYC reached an agreement to acquire 80% of BAM on March 31st, 2023. Based in San Diego, California, BAM is a communications agency specialising in public relations and marketing, that provides services to start-ups and tech companies backed by venture capital. A deal we expect that make the U.S. LLYC's third largest market by revenue, behind only Spain and Mexico. See full note [here](#).

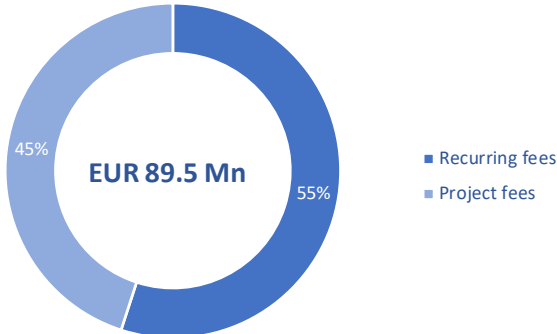
#### 2024 Board of Directors

After the death of José Antonio Llorente, LLYC's founder and chairman on 31 December 2023, the Board of Directors, at its meeting held on 24 January 2024, agreed to appoint Francisco Sánchez-Rivas as non-executive chairman and Alfonso Callejo Martínez as independent director. Accordingly, the board composition is now as follows:

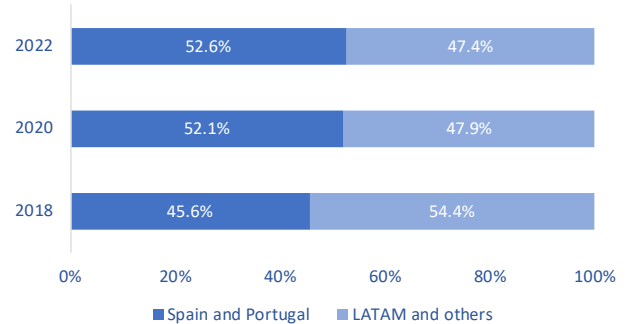
Name	Position	Category	Date
Francisco Sánchez-Rivas	Non executive president	Proprietary	2023
Alejandro Romero	CEO & Vicepresident	Executive	2021
Luisa García	Board Member	Executive	2021
Adolfo Corujo	Board Member	Executive	2021
Mónica Vidal	Board Member	Proprietary	2021
Alfonso Callejo	Board Member	Independent	2023
Elena González-Blanco	Board Member	Independent	2021
Ana Busto	Board Member	Independent	2021
Barrie Berg	Board Member	Independent	2021
Juan Pablo Ocaña		NonBoard Member Secretary	2021

The company in 8 charts

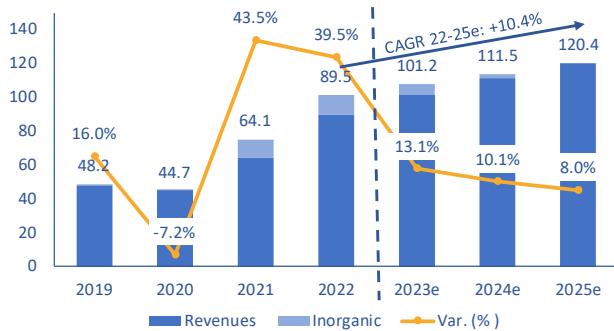
LLYC's business enjoys a (broad) base of recurring revenue (c. 55% of total revenue in 2022)...



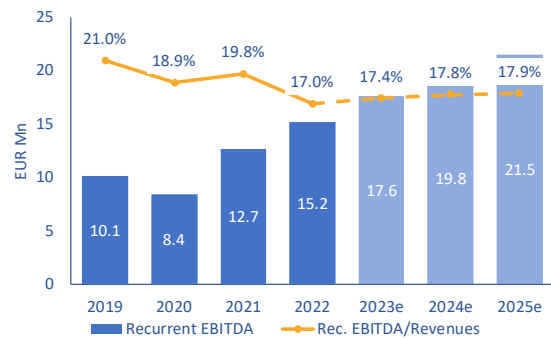
... and a global footprint (with significant exposure to emerging markets)



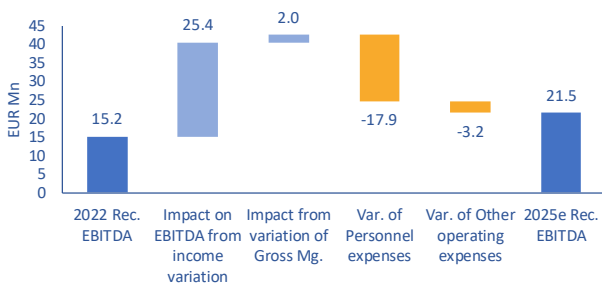
A diversified and recurring service offering that leaves scope for continued growth (revenue: CAGR 22-25e: +10.4%)



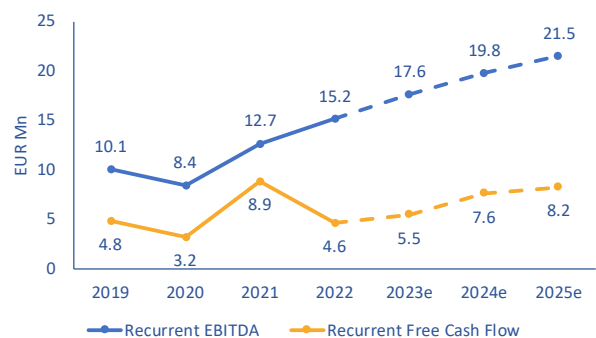
Without losing sight of the "focus" on profitability (EBITDA margin of 18%)



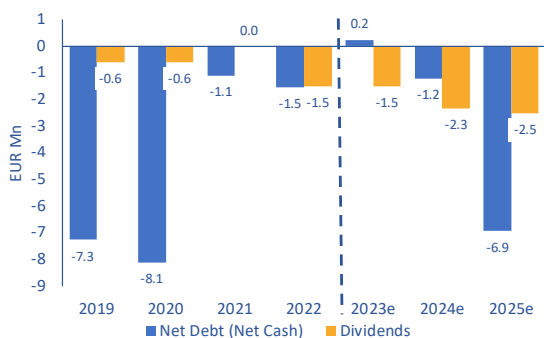
... And allowing the revenue improvement to be passed on to EBITDA (22-25e CAGR 18%)



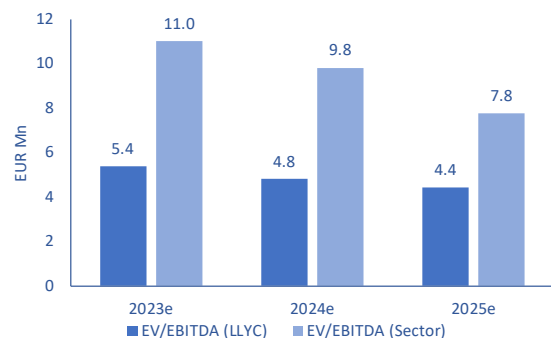
High cash generation capacity (FCF yield 2023e: c. 6%)



And a very robust balance sheet position (net cash) could facilitate the search for inorganic growth



With low multiples within reach (EV/EBITDA 2023e 5.4x vs. 11.0x)



## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	0.4	4.5	9.1	153.7		
Market Cap	96.0	At the date of this report				
Net financial debt	0.2	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.8%	4.3%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.2%	Kd = Cost of Net Debt * (1-T)			3.0%	3.4%
Risk free rate (rf)	3.2%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	9.2%	Ke = Rf + (R * B)			8.2%	10.4%
Equity / (Equity + Net Debt)	99.8%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.2%	D			=	=
WACC	9.2%	WACC = Kd * D + Ke * E			8.2%	10.4%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

### Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
WPP-GB	WPP-GB	9,486.8	8.2	5.5%	6.7	1.9%	1.2	1.6%	17.8%	11.0%	18.0%
Omnicom	OMC-US	16,186.6	11.8	7.9%	9.3	6.2%	1.5	4.8%	16.3%	10.3%	3.4%
Interpublic	IPG-US	11,323.4	11.4	4.6%	8.9	4.0%	1.6	4.9%	18.5%	9.3%	6.5%
<b>Media</b>			<b>12.1</b>	<b>6.0%</b>	<b>8.3</b>	<b>4.1%</b>	<b>1.6</b>	<b>3.3%</b>	<b>17.5%</b>	<b>10.2%</b>	<b>9.3%</b>
FTI Consulting	FCN-US	6,460.6	28.1	19.1%	19.2	n.a.	2.2	7.4%	11.3%	n.a.	n.a.
Next Fifteen	NFG-GB	1,017.0	10.9	9.2%	7.0	7.0%	1.6	6.3%	22.7%	9.1%	15.0%
Hopscotch Group	ALHOP-FR	48.6	9.3	10.1%	3.3	7.1%	0.2	3.8%	5.3%	21.6%	6.2%
Communication Agencies			<b>14.8</b>	<b>11.9%</b>	<b>9.1</b>	<b>7.0%</b>	<b>1.4</b>	<b>5.9%</b>	<b>15.5%</b>	<b>13.3%</b>	<b>12.1%</b>
LLYC	LLYC-ES	96.0	10.8	11.1%	5.4	10.5%	0.9	9.0%	17.4%	5.7%	n.a.

### Free Cash Flow sensitivity analysis (2024e)

#### A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	18.7%	20.8	4.6x
Central	17.8%	19.8	4.8x
Min	16.9%	18.8	5.1x

#### B) Rec. FCF sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 24e				Rec. FCF/Yield 24e		
EBITDA 24e	2.5%	2.8%	3.1%	Scenario			
20.8	9.0	8.6	8.3	Max	9.3%	9.0%	8.6%
19.8	8.0	7.6	7.3	Central	8.3%	7.9%	7.6%
18.8	6.9	6.6	6.3	Min	7.2%	6.9%	6.5%

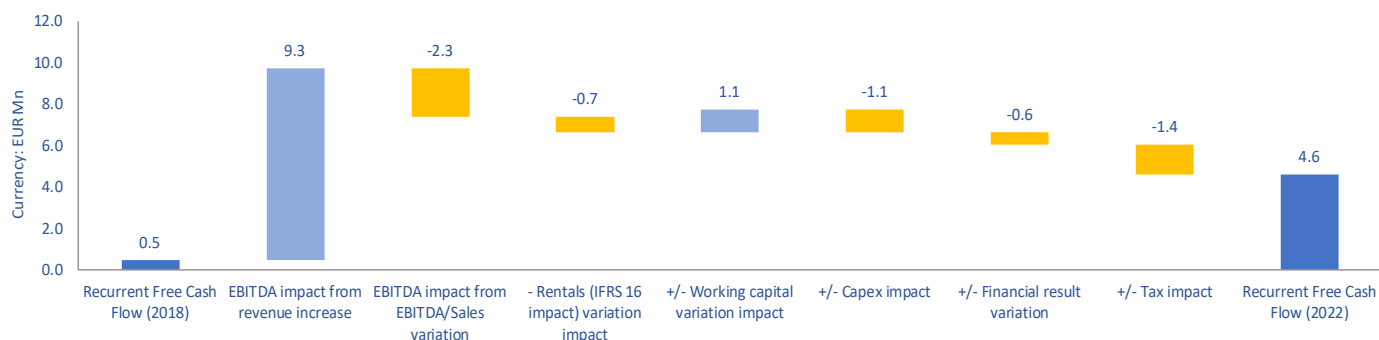
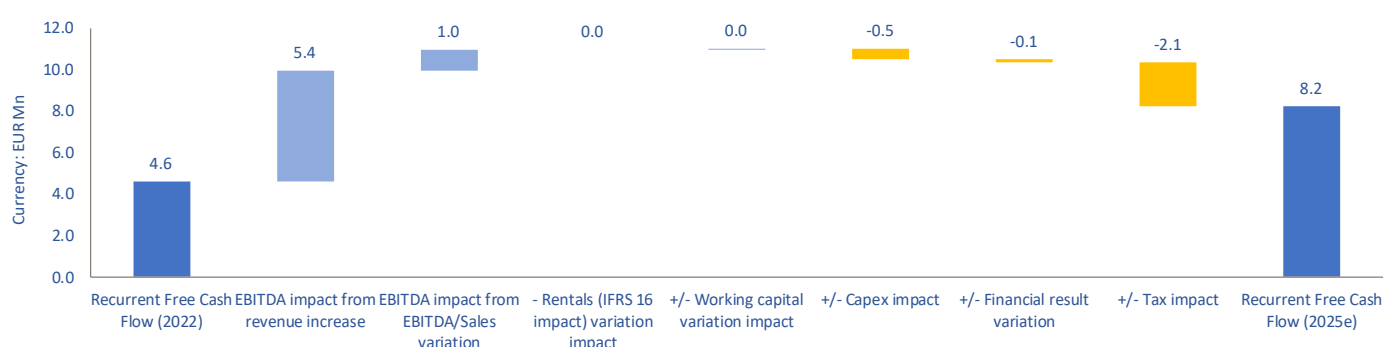
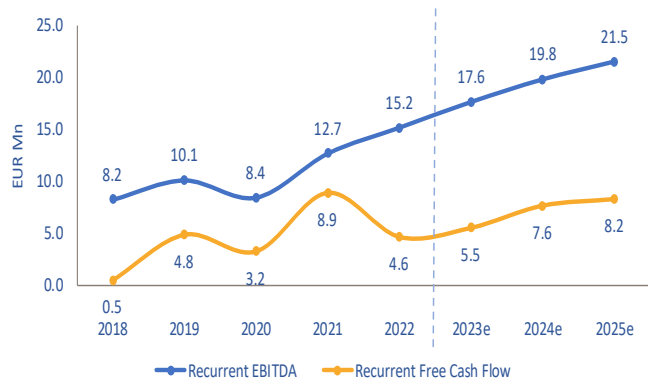
## Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	1.8	10.5	10.2	12.7	13.1	14.0	15.0	16.0		
Fixed assets	3.3	1.4	2.4	2.3	2.2	3.5	8.6	9.5		
Other Non Current Assets	1.8	2.0	2.0	2.7	2.5	2.5	2.5	2.5		
Financial Investments	-	-	-	-	-	-	-	-		
Goodwill & Other Intangibles	3.3	2.9	3.4	15.3	18.1	23.9	23.9	23.9		
Current assets	14.4	16.4	13.3	22.1	22.9	25.3	27.4	28.0		
<b>Total assets</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>58.9</b>	<b>69.2</b>	<b>77.4</b>	<b>79.9</b>		
Equity	16.8	22.0	20.9	28.2	34.2	41.6	49.4	57.9		
Minority Interests	3.7	3.5	3.4	1.2	1.1	1.9	2.8	3.7		
Provisions & Other L/T Liabilities	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0		
Other Non Current Liabilities	-	5.3	6.2	8.1	7.4	7.4	7.4	7.4		
Net financial debt	(4.6)	(7.3)	(8.1)	(1.1)	(1.5)	0.2	(1.2)	(6.9)		
Current Liabilities	8.1	9.6	8.7	18.8	17.7	18.0	19.0	17.8		
<b>Equity &amp; Total Liabilities</b>	<b>24.6</b>	<b>33.2</b>	<b>31.2</b>	<b>55.1</b>	<b>58.9</b>	<b>69.2</b>	<b>77.4</b>	<b>79.9</b>		
<b>P&amp;L (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Total Revenues</b>	<b>41.5</b>	<b>48.2</b>	<b>44.7</b>	<b>64.1</b>	<b>89.5</b>	<b>101.2</b>	<b>111.5</b>	<b>120.4</b>	<b>21.2%</b>	<b>10.4%</b>
<i>Total Revenues growth</i>	7.2%	16.0%	-7.2%	43.5%	39.5%	13.1%	10.1%	8.0%		
COGS	(5.1)	(7.2)	(6.6)	(10.9)	(16.8)	(17.9)	(19.0)	(20.2)		
<b>Gross Margin</b>	<b>36.5</b>	<b>40.9</b>	<b>38.1</b>	<b>53.3</b>	<b>72.7</b>	<b>83.3</b>	<b>92.5</b>	<b>100.1</b>	<b>18.8%</b>	<b>11.2%</b>
<i>Gross Margin/Revenues</i>	87.8%	85.0%	85.3%	83.1%	81.3%	82.3%	83.0%	83.2%		
Personnel Expenses	(22.2)	(24.6)	(24.3)	(31.6)	(45.9)	(52.8)	(58.8)	(63.8)		
Other Operating Expenses	(6.0)	(6.2)	(5.4)	(9.0)	(11.7)	(12.9)	(13.9)	(14.8)		
<b>Recurrent EBITDA</b>	<b>8.2</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.5%</b>	<b>12.4%</b>
<i>Recurrent EBITDA growth</i>	0.9%	22.6%	-16.4%	50.2%	19.6%	16.3%	12.3%	8.7%		
<i>Rec. EBITDA/Revenues</i>	19.9%	21.0%	18.9%	19.8%	17.0%	17.4%	17.8%	17.9%		
Restructuring Expense & Other non-rec.	(0.5)	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
<b>EBITDA</b>	<b>7.8</b>	<b>10.1</b>	<b>8.1</b>	<b>11.2</b>	<b>14.4</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.7%</b>	<b>14.4%</b>
Depreciation & Provisions	(1.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.5)	(1.8)	(2.2)		
Capitalized Expense	-	-	-	-	0.8	0.9	1.0	1.1		
Rentals (IFRS 16 impact)	(1.4)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
<b>EBIT</b>	<b>4.7</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>11.7</b>	<b>14.8</b>	<b>16.8</b>	<b>18.3</b>	<b>25.7%</b>	<b>16.1%</b>
<i>EBIT growth</i>	-9.2%	66.5%	-25.3%	45.9%	37.6%	27.1%	13.3%	8.7%		
<i>EBIT/Revenues</i>	11.3%	16.2%	13.0%	13.2%	13.0%	14.7%	15.1%	15.2%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.5)	(0.7)	(0.6)	(1.4)	(1.0)	(1.1)	(1.2)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>10.3</b>	<b>13.9</b>	<b>15.7</b>	<b>17.1</b>	<b>25.0%</b>	<b>18.4%</b>
<i>Ordinary Profit Growth</i>	-3.7%	73.1%	-29.6%	54.4%	29.9%	34.4%	13.7%	8.6%		
Extraordinary Results	-	-	-	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>4.2</b>	<b>7.3</b>	<b>5.1</b>	<b>7.9</b>	<b>10.3</b>	<b>13.9</b>	<b>15.7</b>	<b>17.1</b>	<b>25.0%</b>	<b>18.4%</b>
Tax Expense	(1.6)	(2.2)	(2.2)	(2.4)	(2.9)	(4.2)	(4.7)	(5.1)		
<i>Effective Tax Rate</i>	37.3%	29.9%	42.5%	30.4%	28.3%	30.0%	30.0%	30.0%		
Minority Interests	(0.9)	(0.9)	(0.7)	(0.2)	(0.4)	(0.8)	(0.9)	(0.9)		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>1.8</b>	<b>4.3</b>	<b>2.3</b>	<b>5.3</b>	<b>7.0</b>	<b>8.9</b>	<b>10.2</b>	<b>11.0</b>	<b>40.6%</b>	<b>16.6%</b>
<i>Net Profit growth</i>	20.0%	138.7%	-46.6%	134.6%	30.6%	28.3%	13.7%	8.6%		
<b>Ordinary Net Profit</b>	<b>2.4</b>	<b>4.3</b>	<b>3.1</b>	<b>6.4</b>	<b>7.5</b>	<b>8.9</b>	<b>10.2</b>	<b>11.0</b>	<b>32.7%</b>	<b>13.7%</b>
<i>Ordinary Net Profit growth</i>	-9.1%	76.8%	-26.9%	105.1%	17.1%	18.9%	13.7%	8.6%		
<b>Cash Flow (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Recurrent EBITDA</b>						<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>16.5%</b>	<b>12.4%</b>
Rentals (IFRS 16 impact)						(2.1)	(2.1)	(2.1)		
Working Capital Increase						(2.0)	(1.1)	(1.8)		
<b>Recurrent Operating Cash Flow</b>						<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>30.2%</b>	<b>16.3%</b>
CAPEX						(2.8)	(3.1)	(3.0)		
Net Financial Result affecting the Cash Flow						(1.0)	(1.1)	(1.2)		
Tax Expense						(4.2)	(4.7)	(5.1)		
<b>Recurrent Free Cash Flow</b>						<b>5.5</b>	<b>7.6</b>	<b>8.2</b>	<b>77.6%</b>	<b>21.3%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(5.8)	(3.8)	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(0.3)</b>	<b>3.8</b>	<b>8.2</b>	<b>75.4%</b>	<b>28.9%</b>
Capital Increase						-	-	-		
Dividends						(1.5)	(2.3)	(2.5)		
<b>Net Debt Variation</b>						<b>1.8</b>	<b>(1.4)</b>	<b>(5.7)</b>		

## Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
<b>Recurrent EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>14.5%</b>	<b>12.4%</b>
<i>Recurrent EBITDA growth</i>	22.6%	-16.4%	50.2%	19.6%	16.3%	12.3%	8.7%		
<i>Rec. EBITDA/Revenues</i>	21.0%	18.9%	19.8%	17.0%	17.4%	17.8%	17.9%		
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(2.0)	(1.1)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>11.7%</b>	<b>16.3%</b>
<i>Rec. Operating Cash Flow growth</i>	106.6%	15.7%	34.1%	-10.2%	20.5%	22.8%	6.4%		
<i>Rec. Operating Cash Flow / Sales</i>	16.6%	20.8%	19.4%	12.5%	13.3%	14.8%	14.6%		
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.7)	(0.6)	(1.0)	(1.0)	(1.1)	(1.2)		
- Taxes	(2.2)	(2.2)	(1.6)	(3.0)	(4.2)	(4.7)	(5.1)		
<b>= Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.6</b>	<b>8.2</b>	<b>-1.5%</b>	<b>21.3%</b>
<i>Rec. Free Cash Flow growth</i>	938.8%	-33.2%	174.4%	-47.8%	18.7%	38.9%	8.3%		
<i>Rec. Free Cash Flow / Revenues</i>	10.0%	7.2%	13.8%	5.2%	5.4%	6.8%	6.9%		
- Restructuring expenses & others	(0.0)	(0.3)	(1.5)	(0.8)	-	-	-		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(5.8)	(3.8)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow</b>	<b>4.8</b>	<b>0.7</b>	<b>(9.0)</b>	<b>3.9</b>	<b>(0.3)</b>	<b>3.8</b>	<b>8.2</b>	<b>-7.0%</b>	<b>28.9%</b>
<i>Free Cash Flow growth</i>	n.a.	-84.5%	n.a.	142.7%	-107.1%	n.a.	118.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	5.0%	3.4%	9.2%	4.8%	5.7%	7.9%	8.6%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	5.0%	0.8%	n.a.	4.0%	n.a.	3.9%	8.6%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
<b>Recurrent FCF(FY - 1)</b>	<b>0.5</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.6</b>		
EBITDA impact from revenue increase	1.3	(0.7)	3.7	5.0	2.0	1.8	1.6		
EBITDA impact from EBITDA/Sales variation	0.5	(0.9)	0.6	(2.5)	0.5	0.4	0.1		
<b>= Recurrent EBITDA variation</b>	<b>1.9</b>	<b>(1.7)</b>	<b>4.2</b>	<b>2.5</b>	<b>2.5</b>	<b>2.2</b>	<b>1.7</b>		
- Rentals (IFRS 16 impact) variation impact	(0.1)	0.2	(0.2)	(0.6)	-	-	-		
+/- Working capital variation impact	2.4	2.7	(0.9)	(3.2)	(0.2)	0.9	(0.7)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>4.1</b>	<b>1.3</b>	<b>3.2</b>	<b>(1.3)</b>	<b>2.3</b>	<b>3.1</b>	<b>1.1</b>		
+/- CAPEX impact	0.9	(2.7)	1.7	(1.0)	(0.3)	(0.3)	0.1		
+/- Financial result variation	(0.0)	(0.2)	0.1	(0.5)	0.0	(0.1)	(0.1)		
+/- Tax impact	(0.6)	(0.0)	0.6	(1.5)	(1.1)	(0.6)	(0.4)		
<b>= Recurrent Free Cash Flow variation</b>	<b>4.4</b>	<b>(1.6)</b>	<b>5.6</b>	<b>(4.2)</b>	<b>0.9</b>	<b>2.1</b>	<b>0.6</b>		
<b>Recurrent Free Cash Flow</b>	<b>4.8</b>	<b>3.2</b>	<b>8.9</b>	<b>4.6</b>	<b>5.5</b>	<b>7.6</b>	<b>8.2</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
<b>EBIT</b>	<b>7.8</b>	<b>5.8</b>	<b>8.5</b>	<b>11.7</b>	<b>14.8</b>	<b>16.8</b>	<b>18.3</b>	<b>14.5%</b>	<b>16.1%</b>
* Theoretical Tax rate	29.9%	30.0%	30.0%	28.3%	30.0%	30.0%	30.0%		
= Taxes (pre- Net Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.5)	(5.0)	(5.5)		
<b>Recurrent EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>12.7</b>	<b>15.2</b>	<b>17.6</b>	<b>19.8</b>	<b>21.5</b>	<b>14.5%</b>	<b>12.4%</b>
- Rentals (IFRS 16 impact)	(1.5)	(1.3)	(1.5)	(2.1)	(2.1)	(2.1)	(2.1)		
+/- Working Capital increase	(0.6)	2.2	1.3	(1.9)	(2.0)	(1.1)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>8.0</b>	<b>9.3</b>	<b>12.4</b>	<b>11.2</b>	<b>13.5</b>	<b>16.5</b>	<b>17.6</b>	<b>11.7%</b>	<b>16.3%</b>
- CAPEX	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
- Taxes (pre- Financial Result)	(2.3)	(1.7)	(2.5)	(3.3)	(4.5)	(5.0)	(5.5)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>5.2</b>	<b>4.3</b>	<b>8.4</b>	<b>5.4</b>	<b>6.2</b>	<b>8.4</b>	<b>9.1</b>	<b>1.2%</b>	<b>19.2%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	372.3%	-15.9%	93.7%	-36.4%	15.4%	35.4%	8.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	10.7%	9.7%	13.1%	6.0%	6.1%	7.5%	7.5%		
- Acquisitions / + Divestments	-	(2.2)	(16.4)	-	(5.8)	(3.8)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>5.2</b>	<b>2.2</b>	<b>(8.0)</b>	<b>5.4</b>	<b>0.4</b>	<b>4.5</b>	<b>9.1</b>	<b>1.2%</b>	<b>19.2%</b>
<i>Free Cash Flow (To the Firm) growth</i>	243.2%	-58.1%	-467.7%	167.3%	-92.3%	990.5%	100.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	5.4%	4.6%	8.8%	5.6%	6.5%	8.8%	9.5%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	5.4%	2.3%	n.a.	5.6%	0.4%	4.7%	9.5%		



**Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)**

**Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)**

**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	96.0	
+ Minority Interests	1.8	6m Results 2023
+ Provisions & Other L/T Liabilities	-	6m Results 2023
+ Net financial debt	0.2	6m Results 2023
- Financial Investments	-	6m Results 2023
+/- Others <sup>(1)</sup>	(2.8)	6m Results 2023
<b>Enterprise Value (EV)</b>	<b>95.2</b>	

(1) Related to the market value of treasury stock.



## Appendix 4. Historical performance <sup>(1)</sup>

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues					34.4	38.7	41.5	48.2	44.7	64.1	89.5	101.2	111.5	120.4	n.a.	10.4%
Total Revenues growth					n.a.	12.5%	7.2%	16.0%	-7.2%	43.5%	39.5%	13.1%	10.1%	8.0%		
EBITDA					5.2	8.0	7.8	10.1	8.1	11.2	14.4	17.6	19.8	21.5	n.a.	14.4%
EBITDA growth					n.a.	51.8%	-2.3%	29.5%	-19.1%	37.3%	28.9%	22.5%	12.3%	8.7%		
EBITDA/Sales					15.2%	20.5%	18.7%	20.9%	18.2%	17.4%	16.1%	17.4%	17.8%	17.9%		
Net Profit					1.8	1.5	1.8	4.3	2.3	5.3	7.0	8.9	10.2	11.0	n.a.	16.6%
Net Profit growth					n.a.	-19.5%	20.0%	138.7%	-46.6%	134.6%	30.6%	28.3%	13.7%	8.6%		
Adjusted number shares (Mn)					10.6	10.6	10.6	10.6	10.6	10.6	11.6	11.6	11.6	11.6		
EPS (EUR)					0.17	0.14	0.17	0.40	0.21	0.50	0.60	0.77	0.87	0.95	n.a.	16.6%
EPS growth					n.a.	-19.5%	20.0%	n.a.	-46.6%	n.a.	18.6%	28.3%	13.7%	8.6%		
Ord. EPS (EUR)					0.19	0.15	0.23	0.40	0.30	0.61	0.65	0.77	0.87	0.95	n.a.	13.7%
Ord. EPS growth					n.a.	-22.1%	52.5%	76.8%	-26.9%	n.a.	6.4%	18.9%	13.7%	8.6%		
CAPEX					-	(1.8)	(1.4)	(0.5)	(3.2)	(1.5)	(2.5)	(2.8)	(3.1)	(3.0)		
CAPEX/Sales %					0.0%	4.7%	3.3%	1.1%	7.1%	2.3%	2.8%	2.8%	2.8%	2.5%		
Free Cash Flow					-	2.6	0.4	4.8	0.7	(9.0)	3.9	(0.3)	3.8	8.2	n.a.	28.9%
ND/EBITDA (x) <sup>(2)</sup>					-0.9x	-0.7x	-0.6x	-0.7x	-1.0x	-0.1x	-0.1x	0.0x	-0.1x	-0.3x		
P/E (x)					n.a.	n.a.	n.a.	n.a.	n.a.	52.2x	19.6x	14.0x	10.8x	9.5x	8.7x	
EV/Sales (x)					n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.94x	0.85x	0.79x		
EV/EBITDA (x) <sup>(2)</sup>					n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.4x	4.8x	4.4x		
Absolute performance					n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-11.9%	-15.4%			
Relative performance vs Ibex 35					n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-6.8%	-31.1%			

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

## Appendix 5. Main peers 2023e

	EUR Mn	Media				Communication Agencies			LLYC	
		WPP-GB	Omnicom	Interpublic	Average	FTI Consulting	Next Fifteen	Hopscotch Group		Average
Market data	Ticker (Factset)	WPP-GB	OMC-US	IPG-US		FCN-US	NFG-GB	ALHOP-FR	LLYC-ES	
	Country	UK	USA	USA		USA	UK	France	Spain	
	Market cap	9,486.8	16,186.6	11,323.4		6,460.6	1,017.0	48.6	96.0	
	Enterprise value (EV)	16,613.4	20,378.9	14,179.6		6,767.6	1,085.9	46.9	95.2	
Basic financial information	Total Revenues	13,867.3	13,413.3	8,648.9		3,123.5	680.4	268.5	101.2	
	Total Revenues growth	-17.9%	2.3%	-13.7%	-9.2%	12.4%	-19.3%	8.8%	0.6%	13.1%
	2y CAGR (2023e - 2025e)	1.6%	4.8%	4.9%	3.3%	7.4%	6.3%	3.8%	5.8%	9.0%
	EBITDA	2,466.0	2,184.3	1,602.0		353.3	154.6	14.3	17.6	
	EBITDA growth	-3.1%	-1.4%	-0.6%	-1.7%	7.7%	-1.7%	6.6%	4.2%	22.5%
	2y CAGR (2023e - 2025e)	1.9%	6.2%	4.0%	4.1%	n.a.	7.0%	7.1%	7.1%	10.5%
	EBITDA/Revenues	17.8%	16.3%	18.5%	17.5%	11.3%	22.7%	5.3%	13.1%	17.4%
	EBIT	2,041.1	2,022.0	1,378.5		315.9	134.9	9.4	14.8	
	EBIT growth	3.5%	0.3%	1.3%	1.7%	10.3%	18.7%	-1.5%	9.2%	27.1%
	2y CAGR (2023e - 2025e)	3.7%	6.2%	3.7%	4.5%	17.6%	9.0%	8.2%	11.6%	11.0%
	EBIT/Revenues	14.7%	15.1%	15.9%	15.2%	10.1%	19.8%	3.5%	11.1%	14.7%
	Net Profit	1,164.3	1,354.3	1,001.3		231.9	36.7	5.9	8.9	
	Net Profit growth	45.8%	12.1%	16.4%	24.8%	7.3%	n.a.	7.3%	7.3%	28.3%
2y CAGR (2023e - 2025e)	4.3%	5.6%	2.6%	4.2%	17.0%	42.9%	10.4%	23.5%	11.1%	
CAPEX/Sales %	2.5%	0.6%	1.9%	1.7%	n.a.	1.1%	0.2%	0.7%	2.8%	
Free Cash Flow	1,041.9	1,662.7	1,058.7		n.a.	92.5	10.5	(0.3)		
Net financial debt	4,157.7	1,287.8	158.5		n.a.	46.3	(18.4)	0.2		
ND/EBITDA (x)	1.7	0.6	0.1	0.8	n.a.	0.3	n.a.	0.3	0.0	
Pay-out	42.7%	39.5%	44.8%	42.3%	n.a.	48.4%	22.3%	35.3%	16.7%	
Multiples and Ratios	P/E (x)	8.2	11.8	11.4	12.1	28.1	10.9	9.3	16.1	10.8
	P/BV (x)	2.0	4.9	3.2	3.3	n.a.	n.a.	2.2	2.2	2.3
	EV/Revenues (x)	1.2	1.5	1.6	1.6	2.2	1.6	0.2	1.3	0.9
	EV/EBITDA (x)	6.7	9.3	8.9	8.3	19.2	7.0	3.3	9.8	5.4
	EV/EBIT (x)	8.1	10.1	10.3	9.5	21.4	8.1	5.0	11.5	6.4
	ROE	24.3	41.3	27.7	31.1	n.a.	n.a.	23.4	23.4	23.5
	FCF Yield (%)	11.0	10.3	9.3	10.2	n.a.	9.1	21.6	15.4	5.7
	DPS	0.45	2.60	1.15	1.77	n.a.	0.18	0.50	0.34	0.13
Dvd Yield	5.1%	3.2%	3.9%	3.9%	n.a.	1.8%	2.8%	2.3%	1.6%	

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).

## LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-Jan-2024	n.a.	8.25	n.a.	n.a.	12m Results 2023	Luis Esteban Arribas
21-Sep-2023	n.a.	9.90	n.a.	n.a.	6m Results 2023 - Estimates downgrade	Luis Esteban Arribas
27-Jul-2023	n.a.	10.40	n.a.	n.a.	6m 2023 Preliminary results	Luis Esteban Arribas
12-Jun-2023	n.a.	10.27	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
31-Mar-2023	n.a.	10.17	n.a.	n.a.	Important news - Estimates upgrade	Luis Esteban Arribas
09-Mar-2023	n.a.	11.35	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
25-Jan-2023	n.a.	9.50	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas
21-Sep-2022	n.a.	10.17	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas
22-Jul-2022	n.a.	10.32	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas
11-Mar-2022	n.a.	12.67	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas
20-Jan-2022	n.a.	12.58	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas
23-Dec-2021	n.a.	11.21	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas

