

EQUITY - SPAIN

Sector: Media

Closing price: EUR 9,50 (19 Feb 2024)

Report date: 20 Feb 2024 (14:10h)

Important news

Independent Equity Research

Important news

 Opinion ⁽¹⁾: Positive

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

Luis Esteban Arribas, CESGA – luis.esteban@institutodeanalistas.com

+34 915 904 226

LLYC reiterates its commitment to the US market and its M&A-led (recurring) growth strategy

Business description

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 and USA (c. 47% of revenue).

Market Data

Market Cap (Mn EUR and USD)	110,6	119,1
EV (Mn EUR and USD) ⁽²⁾	109,3	117,7
Shares Outstanding (Mn)	11,6	
-12m (Max/Med/Mín EUR)	11,35 / 9,83 / 8,15	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	2,0	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

LLYC Partners	54,3
Legacy Jose Antonio Llorente	15,6
Otros socios LLYC	9,1
Indumenta Pueri	7,5
Free Float	10,7

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	14,5	8,0	-12,9	n.a.
vs Ibex 35	13,5	6,0	-18,3	n.a.
vs Ibex Small Cap Index	16,6	8,9	-2,9	n.a.
vs Eurostoxx 50	6,9	-1,6	-21,8	n.a.
vs Sector benchmark ⁽⁴⁾	8,0	-7,5	-29,7	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 Stoxx Europe 600 Media.

(5) Others: Treasury stock 2,8%, Alejandro Romero 5,2%, Luisa García 2,1%, Adolfo Corujo 1,8%.

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

LLYC HAS EXPANDED ITS US FOOTPRINT WITH THE ACQUISITION OF 70% FROM LAMBERT GLOBAL... LLYC has acquired a 70% stake in Lambert Global, a strategic communications firms that specialises in public relations, investor relations and integrated marketing. Headquartered in Grand Rapids, Michigan, the firm has operations in five locations: Michigan, Detroit, New York, St. Louis and Phoenix. Its five key areas of speciality are: automotive, mobility, education, private equity and M&A.

...A STRATEGIC MOVE (AND WITH A SIGNIFICANT IMPACT). It is a strategic move that should not be written off as just "the same old story" of adding another US business, but rather adding a "mass market" business (entailing domestic operations in the US) since Lambert is a major player there (among the Top 10 IR and Top 50 PR companies in the US). This considerably raises LLYC's chances to win a larger number of customers and bigger projects. With this acquisition, the US will become LLYC's *de facto* second largest region after Spain as of 2024e.

THIS IS THE LARGEST ACQUISITION CARRIED OUT TO DATE AND WILL PUT LLYC'S INTEGRATION PROWESS TO THE TEST. So far there has only been an upfront payment of EUR 18.2Mn. The remainder will be in earn-outs based on 2024e and 2025e earnings. We estimate a recurring EV/EBITDA cost of c.7x, which would give a total EV of EUR 32Mn (Lighthouse estimate). We expect Lambert Global to contribute pro forma revenue of around EUR 17.2Mn and EBITDA of c. EUR 5Mn. These numbers illustrate what a major deal this is, representing c. 20% and 28% of total revenue and EBITDA 2023, respectively. LLYC's solid track-record in corporate transactions (seven acquisitions over the last four years) reduces (but does not eliminate) integration risk.

WE HAVE TO REVISE UP OUR ESTIMATES (EBITDA 2024E +15% VS OUR PREVIOUS ESTIMATE). Our opinion on the acquisition is positive. With the addition of Lambert, we must revise up our estimates for 2024e. We are now estimating EUR 126Mn of revenue (+24.8% vs 2023; +13% vs previous estimate) and EUR 22.5Mn of EBITDA in 2024e (+27.7% vs 2023; +14% vs previous estimate). More important, however, is the impact on organic growth, which will become visible as of 2025e.

HOW WILL THE ACQUISITION BE FINANCED? LLYC will finance 100% of the acquisition with bank borrowings. Even so, we still estimate that cash generation (recurring FCF 2024e: EUR 7.4Mn) will help keep debt levels low, at c. 1x ND/recurring EBITDA 2024e.

...A REALLY STRATEGIC ACQUISITION, THAT WILL ADD SIZE AND GROWTH. AND (ESPECIALLY) US MARKET SHARE. LLYC's inorganic growth strategy has just about become a recurring theme in recent years. The acquisition of Lambert provides the company with a "gateway" into the US market, enabling LLYC to grow without comprising the company's geographic diversification (which itself explains the business' defensiveness and is a core feature of the company's equity story). Share price performance: -12.9% over the past 12 months. We don't believe this is justified by either its outlook for growth (CAGR 23-26e for revenue of 22%) or for profitability (EBITDA margin of c. 18%). Objectively, we certainly think this is something that right now should not be overlooked.

LLYC is a BME Growth company

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	110,6	
+ 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 ⁽¹⁾	(3,2)	6m Results 2023
Enterprise Value (EV)	109,3	

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

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta
28006 Madrid
T: +34 915 904 226
institutodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@institutodeanalistas.com

Luis Esteban Arribas, CESGA

Equity research

luis.esteban@institutodeanalistas.com

Enrique Andrés Abad, CFA

Equity research

enrique.andres@institutodeanalistas.com

José Miguel Cabrera van Grieken

Equity research

jose.cabrera@institutodeanalistas.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@institutodeanalistas.com

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Notes and Reports History

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

