

### 9m Results 2022

**Opinion** <sup>(1)</sup>: Below expectations

**Impact** <sup>(1)</sup>: We lower 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)	235.9	243.7
EV (Mn EUR and USD) <sup>(2)</sup>	257.7	266.2
Shares Outstanding (Mn)	89.0	
-12m (Max/Med/Min EUR)	3.89 / 3.33 / 2.63	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation <sup>(3)</sup>	1.2	
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	-11.4	-12.5	-27.1	n.a.
vs Ibex 35	-16.7	-8.3	-18.5	n.a.
vs Ibex Small Cap Index	-19.5	-7.1	-15.2	n.a.
vs Eurostoxx 50	-21.4	-15.3	-17.3	n.a.
vs Sector benchmark <sup>(4)</sup>	-15.7	-10.2	-17.7	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.

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

## 9m22: margin improvement confirmed. Revenue remains a work in progress

**REVENUE GROWTH REMAINS LOW (EUR 58.5MN; +2.4% VS 9M21).** SQRL ended 9m22 with revenue of EUR 58.5Mn (+2.4% vs 9m22), boosted by the acquisition of the Media business in January (that contributed c. EUR 9.9Mn in revenue in 1H22). However, perhaps most interestingly and looking at 3Q in isolation, revenue growth was 6.7% vs 3Q21 (vs flat revenue in 1H22). This could signal the possible beginning of the recovery in revenue (still waiting for the content business to reflect the investments made in recent years).

**ALTHOUGH THE IMPROVEMENT IN MARGINS IS ALREADY A "FACT" AND IS DRIVING EBITDA GENERATION (+40.3% VS 9M21).** In 9m22, SQRL generated EBITDA of EUR 10.2Mn (+40.3% vs 9m21). This implies an EBITDA margin of 17.4% (vs 12.7% in 9m21). An improvement in margins that is more "valuable" as it occurred against a backdrop of flat revenue.

**NET PROFIT: EUR 7.4MN (+9.9% VS 9M21).** With no significant impact of financial expenses, the amortisation of audiovisual content is the main item between EBITDA and PBT. The EBITDA generated by SQRL in 9m22 translated to similar growth in PBT (EUR 8.5Mn; +37% vs 9m21). The impact of minority shareholders (EUR 1Mn in 9m22) is the main item between PBT and NP, that was EUR 7.4Mn (+9.9% vs 9m21).

**THE BALANCE SHEET POSITION REMAINS COMFORTABLE, DESPITE THE EFFORT MADE IN CAPEX AND THE M&A EXECUTED (ND: EUR 17.5MN; 22E ND/EBITDA 1.2X).** In 2022 SQRL is making a significant investment effort, both in terms of: i) inorganic growth (c. EUR 30Mn in 1H22) and ii) the intensification of CAPEX, with a cumulative EUR 15.2Mn earmarked for "nurturing" the catalogue of audiovisual content (one of the main growth levers; not yet visible in the P&L). An important investment effort partly offset by the EUR 10Mn capital increase executed in 1H22. The above translates to Net Debt of EUR 17.5Mn (vs EUR 7.1Mn in 2021). 22e ND/EBITDA c. 1.2x, an objectively favourable balance sheet position for continuing to invest in its business (enlarging its content catalogue) and seeking new M&A opportunities.

**REVENUE GROWTH REMAINS A WORK IN PROGRESS.** The snapshot left by 3Q results is that of a profitable company (EBITDA margin 17.4%) with a comfortable balance sheet position (22e ND/EBITDA c. 1.2x) although revenue growth remains a work in progress. Growth that, in our view, will have to wait until 2023e, when the investment made in the contents business should bear fruit (this has yet to reflect the important effort made to enlarge the catalogue; 44 films slated for release in Spain, Italy, Portugal, Andorra and Latam until 2024e vs "only" 6 in 9m22 just in Spain).

**WE DOWNGRADE OUR 2022E ESTIMATES.** Today visibility is low and the low growth in revenue seen in 9m22 results (despite the M&A executed) leads us to downgrade our numbers. Our new 2022e estimates are for revenue of c. EUR 85Mn (-10% vs previous estimate) and EBITDA of c. EUR 15Mn (-15% vs previous estimate). Numbers that already envisage an important rebound in revenue in 4Q in isolation (c. +25% vs 3Q22). 22E EV/EBITDA c. 17x.

## Appendix 1. Results table

EUR Mn	9m22		9m22 Real		2022e vs		3Q22 vs	
	Real	9m21	vs 9m21	2022e	2021	3Q22	3Q21	
Total Revenues	58.5	57.1	2.4%	85.4	22.0%	21.4	6.7%	
Recurrent EBITDA	10.2	7.2	40.3%	14.7	97.3%	2.9	50.4%	
Rec. EBITDA/Revenues	17.4%	12.7%	4.7 p.p.	17.2%	6.6 p.p.	13.7%	4.0 p.p.	
PBT	8.5	6.2	37.1%	11.7	116.5%			
NP	7.4	6.8	9.9%	9.2	64.6%			
CAPEX	15.2	8.2	84.6%	15.1				
Net Debt	17.5	7.1	145.4%	21.1	193.9%			

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	235.9	
+ Minority Interests	(0.5)	9m Results 2022
+ Provisions & Other L/T Liabilities	14.0	9m Results 2022
+ Net financial debt	17.4	9m Results 2022
- Financial Investments	9.1	9m Results 2022
+/- Others		
<b>Enterprise Value (EV)</b>	<b>257.7</b>	

## LIGHTHOUSE

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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

