

LLYC

Fine-tuning estimates post mixed H1 results

- H1 results slightly below estimates.** LLYC has provided full detail on its H1 results (preliminary results published in July): net sales reached €39.9m, +12% YoY & +8% organically, slightly below our +10% organic growth estimate. Adj. EBITDA reached €8.8m, +9% YoY but +2% organically, also slightly below estimates. Below EBITDA, LLYC reported €4.2m net profit (+9%), vs. our €4.5m estimate.
- Traditional comms slowed down...** Traditional comms has seen a slowdown in H1, with revenues growing +1-2% YoY organically (vs. +8-9% in 2H22) to €26.3m (+9% including BAM which was acquired by mid-H1). We understand that the macro-uncertainties, together with political instability in some LatAm countries (Colombia, Peru, Argentina) took a toll on corporate spending, whilst Spanish regional and general elections (May & July) could have also hit the public affair business. This caught LLYC expanding its workforce and resulted in a 1-2pp EBITDA margin fall LFL (i.e., ex BAM), ending at <25%.
- ...but Deep Digital beat estimates.** However, Deep Digital (marketing services, Comms Tech, etc.) surprised us positively, posting €13.6m revenues which implied c.20% organic growth YoY. The strong performance led margins to expand by >1pp YoY to c.17%. LLYC's main growth engine now weights 26% of group EBITDA, vs. 22% a year ago.
- Net debt rises on M&A.** Net debt (including leases & earn-outs) increased by €13m vs. Dec-22 to €20.5m (or from €3m net cash ex leases & earnouts to €4m net debt), mainly driven by the acquisition of BAM (€10-11m incl. earnouts) and WC financing (c.€4m) due to seasonality. In H2, we expect WC to partly reverse and LLYC's net debt to end at €15m, equivalent to <1XEBITDA.
- Our views.** We are fine-tuning our estimates post mixed H1 results, reflecting better trends in Deep Digital and moderating growth in traditional communication. Bottom line, our estimates sit marginally below the 10% revenue and EBITDA organic growth target for FY23, which we think is remarkable considering that these targets were set at the beginning of the year under a more favourable macro environment. All in all, we expect group EBITDA to accelerate from +2% YoY organically in H1 to +15% in H2 (and +20% reported), helped by both easier comps and full BAM contribution.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	8.4	12.6	16.0	18.4	20.1	21.3
Net profit (€m)	2.2	5.2	7.0	9.2	10.7	11.7
EPS (€)	-	0.45	0.60	0.79	0.92	1.01
Adj. EPS (*) (€)	-	0.56	0.67	0.81	0.95	1.04
P/E (x)	n.a.	27.0	19.0	12.3	10.5	9.6
P/E Adj. (x)	n.a.	21.5	17.0	11.9	10.2	9.3
EV/EBITDA (x)	-	11.8	8.6	6.8	6.0	5.3
Debt/EBITDA (x)	(1.3)	0.3	(0.0)	0.6	0.1	(0.3)
P/BV (x)	n.a.	4.8	3.8	2.6	2.2	1.8
ROE (%)	10.7	18.4	20.5	21.9	21.3	19.7
DPS (€)	-	0.13	0.13	0.20	0.23	0.25
Dividend yield (%)	-	1.1	1.2	2.0	2.4	2.6

(*) Historical multiples based on average share price of the year

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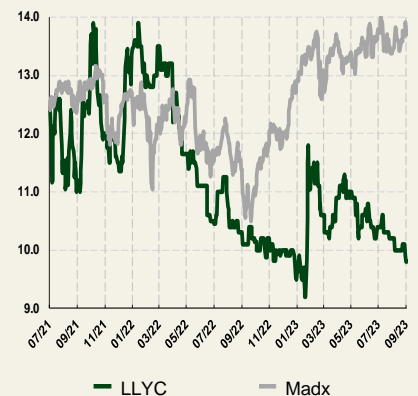
Share Price (*) € 9.70

*Share price at the close of 22 September 2023

LLYC.MC / LLYC SM

Market Cap	€ 115 m
Enterprise Value	€ 125 m
Free Float	€ 14 m
Nº Shares	12 m
Average Daily Volume	€ 10 k

Performance	1m	3m	12m
Absolute %	-3.9	-4.5	-1.7
Relative %	-5.6	-8.6	-29.1



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LLYC: INTERIM RESULTS

€m	1H21	2H21	1H22	2H22	1H23	% YoY	1H23E	Diff
Gross revenues	25.7	38.4	43.6	45.9	48.7	12%	51.9	(6%)
Net revenues	23.3	30.0	35.6	37.1	39.9	12.2%	40.7	(2%)
o/w Deep Digital	n.a.	n.a.	11.4	11.9	13.6	19.2%	13.4	1%
o/w Américas	n.a.	n.a.	11.7	11.5	12.8	8.8%	13.0	(2%)
o/w Europa	n.a.	n.a.	12.4	13.7	13.6	9.0%	14.3	(5%)
Opex	(17.1)	(23.5)	(27.5)	(29.2)	(31.1)	13%	(31.6)	(2%)
Adj. EBITDA	6.1	6.6	8.1	7.9	8.8	9%	9.1	(3%)
EBITDA	5.8	5.4	7.8	7.4	8.8	12%	9.1	(4%)
EBIT	4.6	3.9	6.1	5.7	7.0	15%	7.2	(3%)
Net Profit	3.1	2.2	3.8	3.2	4.2	9%	4.6	(9%)
<i>Net revenues</i>	<i>16.4%</i>	<i>49.4%</i>	<i>52.8%</i>	<i>23.7%</i>	<i>12.2%</i>		<i>14.5%</i>	
<i>Adj. EBITDA Mg</i>	<i>26.4%</i>	<i>21.8%</i>	<i>22.8%</i>	<i>21.3%</i>	<i>22.1%</i>		<i>22.3%</i>	

Source: Bloomberg, Alantra Equities

KEY DATA

P&L account (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	44.7	64.1	89.5	103.2	119.7	134.9
COGS	(6.6)	(10.8)	(16.8)	(19.4)	(26.7)	(34.7)
Gross Profit	38.1	53.3	72.7	83.8	93.0	100.2
Personnel Expenses	(24.3)	(31.6)	(45.9)	(55.2)	(61.3)	(66.4)
Other Opex	(5.4)	(9.1)	(10.8)	(10.2)	(11.7)	(12.4)
Adj. EBITDA	8.4	12.6	16.0	18.4	20.1	21.3
Non-recurring items	(0.3)	(1.5)	(0.8)	0.0	0.0	0.0
EBITDA	8.1	11.1	15.2	18.4	20.1	21.3
D&A	(2.3)	(2.7)	(3.5)	(3.7)	(3.9)	(4.0)
EBIT	5.8	8.4	11.7	14.7	16.2	17.3
Net financials	(0.7)	(0.6)	(1.4)	(1.6)	(1.0)	(0.8)
Profit-Before-Tax	5.1	7.8	10.3	13.2	15.2	16.5
Tax	(2.2)	(2.4)	(2.9)	(3.5)	(3.8)	(4.1)
Minorities	(0.7)	(0.2)	(0.4)	(0.5)	(0.6)	(0.6)
Reported Net profit	2.2	5.2	7.0	9.2	10.7	11.7
Adjustments	0.2	1.1	0.6	0.0	0.0	0.0
Adj. Net profit	2.5	6.3	7.6	9.2	10.7	11.7
Nº of shares (m)	0.4	11.6	11.6	11.6	11.6	11.6
Nº of shares adjusted (m)	0.0	11.3	11.3	11.3	11.3	11.3
Treasury stock (m)	0.0	0.3	0.3	0.3	0.3	0.3
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	(7%)	43%	40%	15%	16%	13%
Gross Profit	(7%)	40%	36%	15%	11%	8%
Adj. EBITDA	(17%)	49%	27%	15%	9%	6%
EBITDA	(19%)	37%	37%	21%	9%	6%
EBIT	(25%)	45%	39%	26%	10%	6%
Net profit	(55%)	132%	35%	31%	17%	9%
EPS	n.a.	n.a.	35%	31%	17%	9%
Revenue by segment	FY20	FY21	FY22	FY23E	FY24E	FY25E
Deep Digital	14%	22%	32%	32%	33%	35%
Américas	-	36%	32%	36%	35%	35%
Europa	-	42%	36%	32%	32%	31%
Adj. EBITDA by segment	FY20	FY21	FY22	FY23E	FY24E	FY25E
Deep Digital	-	18%	27%	27%	28%	30%
Américas	-	30%	30%	30%	30%	29%
Europa	-	53%	43%	43%	42%	41%
Per share data	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPS	n.a.	0.46	0.62	0.81	0.95	1.04
EPS adjusted	n.a.	0.56	0.67	0.81	0.95	1.04
CFPS	n.a.	0.48	0.79	0.99	1.15	1.25
FCFPS	n.a.	(1.00)	0.28	(0.70)	0.56	0.62
BVPS	n.a.	2.49	3.03	3.71	4.46	5.27
DPS	0.00	0.13	0.13	0.20	0.23	0.25
Cash flow (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net profit	2.2	5.2	7.0	9.2	10.7	11.7
Depreciation	2.3	2.7	3.5	3.7	3.9	4.0
Minorities	0.7	0.2	0.4	0.5	0.6	0.6
Non-cash adjustments	(1.9)	(2.7)	(2.0)	(2.1)	(2.2)	(2.3)
Total cash-flow (CF)	3.3	5.4	8.9	11.2	13.0	14.1
Capex	(2.0)	(1.9)	(2.4)	(2.7)	(3.0)	(3.2)
Working capital	2.1	(1.2)	(1.7)	(3.9)	(1.5)	(1.2)
Financial investments	(0.1)	0.8	(0.3)	-	-	-
Operating FCF	3.4	3.2	4.6	4.6	8.5	9.6
Rights issues	-	9.9	-	-	-	-
Disposals/(acquisitions)	(2.2)	(24.3)	-	(11.1)	-	-
Dividend to minorities	-	-	-	-	-	-
FCF before dividends	1.2	(11.3)	4.6	(6.4)	8.5	9.6
Dividends	-	-	(1.5)	(1.5)	(2.2)	(2.6)
Free-cash-flow (FCF)	1.2	(11.3)	3.1	(7.9)	6.3	7.0
Buy-backs	-	-	-	-	-	-
FCF after buy backs	1.2	(11.3)	3.1	(7.9)	6.3	7.0
Balance sheet (€ m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity	20.9	28.2	34.2	41.9	50.4	59.5
Minority interests	3.4	1.2	1.1	1.6	2.2	2.9
Provisions & others	0.2	0.2	0.1	0.1	0.1	0.1
Net debt [cash]	(1.9)	11.2	7.4	15.3	9.0	2.0
Net debt [cash] pre IFRS16	(8.2)	3.1	(0.0)	8.6	2.3	(4.7)
Capital invested	22.6	40.7	42.8	58.9	61.7	64.5
Goodwill	3.4	18.7	18.1	18.1	18.1	18.1
Intangible assets	3.6	4.0	5.2	6.2	7.2	8.2
Tangible assets	9.0	11.0	10.1	21.5	22.0	22.6
Financial assets	(5.2)	(15.1)	(8.5)	(13.4)	(11.3)	(8.9)
Working capital	4.8	5.0	7.2	11.1	12.6	13.8
Capital employed	15.5	23.6	32.2	43.5	48.6	53.8
Working capital/sales	10.7%	7.8%	8.0%	10.8%	10.5%	10.3%
Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net debt/EBITDA	(0.2X)	1.0X	0.5X	0.8X	0.4X	0.1X
Net debt/EBITDA adjusted	(1.3X)	0.3X	(0.0X)	0.6X	0.1X	(0.3X)
Gearing	-7.9%	38.0%	20.9%	35.2%	17.1%	3.2%
Interest cover	8.6X	14.0X	8.4X	9.4X	15.5X	21.6X
Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA margin	18.2%	17.3%	17.0%	17.8%	16.8%	15.8%
EBIT margin	13.0%	13.1%	13.1%	14.3%	13.5%	12.8%
Effective tax rate	42.6%	30.8%	28.2%	26.5%	25.3%	24.9%
Pay-out	n.a.	28.7%	21.3%	24.3%	24.3%	24.3%
ROCE (EBIT/CE)	37.4%	35.6%	36.4%	33.9%	33.4%	32.1%
ROE	10.7%	18.4%	20.5%	21.9%	21.3%	19.7%

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