

Company Flash Note

Reason: Company results (post view)

12 April 2023

Buy

Recommendation unchanged

Share price: EUR 8.00

closing price as of 11/04/2023

Target price: EUR 10.70

from Target Price: EUR 10.70

Upside/Downside Potential 33.7%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 200

Current N° of shares (m) 25

Free float 28%

Daily avg. no. trad. sh. 12 mth (k) 8

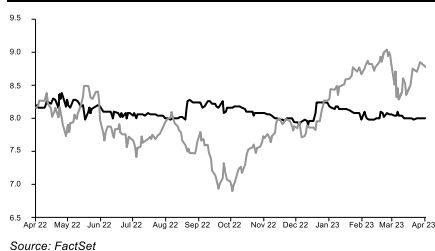
Daily avg. trad. vol. 12 mth (k) 45.13

Price high/low 12 months 8.38 / 7.90

Abs Perfs 1/3/12 mths (%) -0.74/-2.20/-1.96

Key financials (EUR)	12/22	12/23e	12/24e
Sales (m)	88	125	156
EBITDA (m)	12	16	20
EBITDA margin	13.6%	12.5%	12.7%
EBIT (m)	6	7	9
EBIT margin	6.9%	5.3%	6.0%
Net Profit (adj.)(m)	4	3	5
ROCE	6.2%	6.1%	8.1%
Net debt/(cash) (m)	34	41	40
Net Debt Equity	0.7	0.9	0.8
Net Debt/EBITDA	2.8	2.6	2.0
Int. cover(EBITDA/Fin.int)	6.4	5.4	6.7
EV/Sales	2.7	1.9	1.5
EV/EBITDA	19.6	15.2	11.9
EV/EBITDA (adj.)	19.6	15.2	11.9
EV/EBIT	38.8	36.1	25.2
P/E (adj.)	nm	nm	43.4
P/BV	4.2	4.2	3.8
OpFCF yield	-0.4%	4.4%	6.3%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.15	0.10	0.18
BVPS	1.94	1.92	2.10
DPS	0.00	0.00	0.00

Shareholders

Laren Capital, S.L.U. 56%; Management Team 14%;
Santander AM 1.88%;

Source: FactSet

Analyst(s)

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Una nueva etapa de crecimiento

La compañía ha presentado esta mañana sus resultados de FY22 así como un nuevo plan estratégico para 2027. Los resultados FY22 muestran una significativa mejora operativa, alcanzando un margen del 13.1% (+0.6pp vs nuestras estimaciones), lo que confirma la capacidad de la compañía de crecer en servicios de mayor valor añadido, así como de trasladar una gran parte de la subida de costes a sus clientes. Adicionalmente, la compañía sigue demostrando la excelente integración de las compañías adquiridas, que siguen aportando resultados al crecimiento del grupo.

- ✓ Los **ingresos** FY22 alcanzan los EUR92m (vs EUR91m de nuestras estimaciones) con un crecimiento orgánico de c.+13%, ligeramente por encima del tradicional objetivo de la compañía del +10%. La compañía ha modificado el desglose de ingresos en el reporting por lo que la evolución de los diferentes negocios no es comparable con los históricos.
- ✓ El **margen bruto** mejora desde el 74.1% hasta el 81%, mostrando la capacidad de la compañía de internalizar procesos y tecnologías y de ser más eficiente en sus operaciones. Asimismo, el margen **EBITDA** alcanza el 13.1% (+1.9pp yoy) alcanzando niveles por encima de nuestras estimaciones (12.5%).
- ✓ La **deuda neta** se sitúa en EUR31.5m (2.6x DN/EBITDA), en línea con los objetivos de la compañía (<3x DN/EBITDA) y con nuestras estimaciones (EUR33m). Hay que tener en cuenta que la compañía registra como deuda el 100% de los earn-outs pendientes de las adquisiciones, que en algunas ocasiones no se llegan a desembolsar.
- ✓ El **plan estratégico 2027** presentado por la compañía estima unos ingresos de EUR250m y un EBITDA de EUR33m (margen de c.13%). Estas cifras se pueden considerar conservadoras, ya que no estiman mejora del margen EBITDA. Nuestras estimaciones se sitúan en EUR260m de ingresos y EUR35m de EBITDA, que consideramos razonable, y alcanzables.
- ✓ La compañía espera que el mercado de **M&A** se normalice tras unos años de exuberancia en las valoraciones y se pueda seguir consolidando el mercado, con foco en Iberia y con el objetivo de iniciar un crecimiento internacional (Europa y EEUU, principalmente) a partir de 2024 de la mano de compañías multinacionales.
- ✓ En relación a la **financiación** de dichas operaciones de M&A (que la compañía estima que serán menores en número y mayores en tamaño), en los últimos meses la compañía ha logrado tener el respaldo de entidades financieras para este crecimiento y no estima un impacto significativo de la subida de tipos de interés en sus resultados (c.2/3 de la deuda está a tipo fijo).
- ✓ En su **plan estratégico**, la compañía eleva el objetivo de **crecimiento orgánico** hasta niveles de c.+15%, debido al mayor tamaño de sus clientes y a un aumento de sus necesidades.
- ✓ En definitiva, mantenemos nuestras estimaciones actuales y nuestro precio objetivo, con un potencial del +34% y nuestra recomendación de **Comprar**. Consideramos que Izertis está demostrando una solidez notable en su crecimiento que nos ayuda a confiar en su desarrollo futuro.

Resultados FY22

IZERTIS. POST-FY'22 RESULTS.

EURm	FY'21	FY'22	Δ% y/y
Total income	67.99	92.20	35.6%
Supplies	-17.62	-17.51	-0.6%
Gross margin	50.38	74.69	48.3%
% gross margin	74.1%	81.0%	6.9pp
Personnel costs	-39.56	-58.80	48.6%
Other general costs	-4.17	-4.59	10.0%
Other results	0.53	0.91	73.0%
Impairment & Results of sale of assets	0.10	0.05	n.a
EBITDA	7.18	12.26	70.7%
other non recurrent costs	0.09	-0.20	-310.6%
Normalized EBITDA	7.27	12.07	67.9%
Normalized EBITDA mg (%)	11.2%	13.1%	1.9pp
EBIT	1.58	6.29	184.3%
Net income	0.39	3.72	851.9%

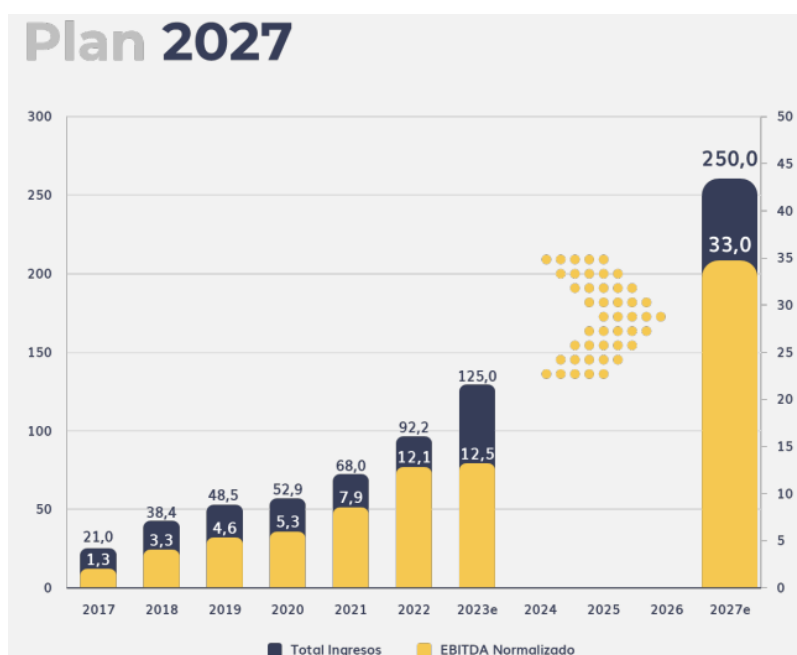
Source: Izertis & GVC Gaesco Valores

En la presentación de resultados del grupo, la compañía hizo hincapié en la fuerte diversificación de clientes, ya que el top 10 representa un 31% del total de ingresos, el top 20 un 41% y el top 50 un 56%.

La compañía sigue apalancando su investment case en cuatro pilares principales:

- Fuerte impulso sectorial
- Sólido track-récord
- Proceso imparable de concentración de mercado
- Alineación de intereses management/accionistas

Pensamos que dichos pilares constituyen una base sólida sobre la que construir la creación de valor de la compañía en el futuro.



Izertis: Summary tables

PROFIT & LOSS (EURm)	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Sales	50.7	65.0	88.4	125	156	189
Cost of Sales & Operating Costs	-45.5	-57.8	-76.4	-109.0	-136.0	-163.8
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	5.3	7.3	12.1	15.6	19.9	24.9
EBITDA (adj.)*	5.3	7.3	12.1	15.6	19.9	24.9
Depreciation	-3.9	-5.6	-6.0	-9.0	-10.4	-11.8
Depreciation of Right-of-Use						0
EBITA	1.4	1.7	6.1	6.6	9.4	13.1
EBITA (adj.)*	1.4	1.7	6.1	6.6	9.4	13.1
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.4	1.7	6.1	6.6	9.4	13.1
EBIT (adj.)*	1.4	1.7	6.1	6.6	9.4	13.1
Net Financial Interest	-1.4	-0.9	-1.9	-2.9	-3.0	-3.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-0.4	0.0	-0.4	0.0	0.0	0.0
Other Non Recurrent Items	2.4	-0.1	0.2	-0.3	-0.3	-0.3
Earnings Before Tax (EBT)	1.9	0.7	4.0	3.4	6.1	9.8
Tax	-0.5	-0.3	-0.3	-0.8	-1.5	-2.4
<i>Tax rate</i>	<i>27.9%</i>	<i>45.8%</i>	<i>7.4%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	1.4	0.4	3.7	2.5	4.6	7.3
Net Profit (adj.)	1.4	0.4	3.7	2.5	4.6	7.3
CASH FLOW (EURm)	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Cash Flow from Operations before change in NWC	5.7	6.0	10.1	11.6	15.0	19.1
Change in Net Working Capital	0.5	-3.1	-8.8	-1.0	-0.8	-0.6
Cash Flow from Operations	6.2	2.9	1.3	10.6	14.3	18.5
Capex	-1.6	-1.9	-2.1	-1.8	-1.8	-1.9
Net Financial Investments	0.0	-1.8	-33.6	-13.0	-11.3	-13.3
Free Cash Flow	4.5	-0.8	-34.4	-4.2	1.2	3.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.1	-6.2	17.1	-2.8	-0.7	-3.0
Change in Net Financial Debt	4.7	-7.0	-17.2	-7.0	0.5	0.3
NOPLAT	1.4	1.7	6.1	6.6	9.4	13.1
BALANCE SHEET & OTHER ITEMS (EURm)	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Net Tangible Assets	1.8	3.9	4.0	4.1	4.1	4.2
Net Intangible Assets (incl. Goodwill)	26.7	41.8	75.5	83.1	91.0	96.2
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	5.5	3.1	3.5	3.4	3.4	3.4
Total Fixed Assets	33.9	48.8	83.1	90.6	98.5	104
Inventories	0.4	0.8	0.8	0.8	0.9	0.9
Trade receivables	12.3	14.4	23.7	25.4	26.9	28.3
Other current assets	0.7	1.3	1.4	1.5	1.6	1.7
Cash (-)	-15.0	-37.7	-35.6	-36.3	-37.0	-37.8
Total Current Assets	28.5	54.2	61.5	64.0	66.4	68.6
Total Assets	62.4	103.0	144.6	154.6	164.9	172.4
Shareholders Equity	23.6	33.5	48.5	47.9	52.5	59.8
Minority	0.2	0.3	0.2	0.2	0.2	0.2
Total Equity	23.8	33.8	48.7	48.1	52.7	60.0
Long term interest bearing debt	16.8	37.0	47.0	53.8	54.1	55.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.8	3.0	6.5	5.7	5.1	4.6
Total Long Term Liabilities	20.6	40.0	53.5	59.5	59.3	59.8
Short term interest bearing debt	7.9	17.5	22.6	23.5	23.4	22.8
Trade payables	5.7	5.1	5.6	6.3	7.1	7.9
Other current liabilities	4.3	6.8	14.3	17.2	22.5	21.9
Total Current Liabilities	17.9	29.3	42.5	47.0	52.9	52.6
Total Liabilities and Shareholders' Equity	62.4	103.0	144.6	154.6	164.9	172.4
Net Capital Employed	37.4	53.5	89.1	94.8	98.3	104.8
Net Working Capital	7.0	10.1	18.9	19.9	20.7	21.3
GROWTH & MARGINS	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
<i>Sales growth</i>	<i>9.5%</i>	<i>28.2%</i>	<i>36.0%</i>	<i>40.9%</i>	<i>25.1%</i>	<i>21.1%</i>
EBITDA (adj.)* growth	14.2%	38.0%	65.9%	29.4%	27.2%	25.5%
<i>EBITA (adj.)* growth</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>264.0%</i>	<i>7.9%</i>	<i>43.2%</i>	<i>39.5%</i>
<i>EBIT (adj.)* growth</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>264.0%</i>	<i>7.9%</i>	<i>43.2%</i>	<i>39.5%</i>

Izertis: Summary tables

GROWTH & MARGINS	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Net Profit growth	447.6%	-71.6%	852.4%	-32.1%	82.1%	59.1%
EPS adj. growth	440.4%	-73.8%	792.9%	-32.1%	82.1%	59.1%
DPS adj. growth						
EBITDA (adj)* margin	10.4%	11.2%	13.6%	12.5%	12.7%	13.2%
EBITA (adj)* margin	2.7%	2.6%	6.9%	5.3%	6.0%	7.0%
EBIT (adj)* margin	2.7%	2.6%	6.9%	5.3%	6.0%	7.0%
RATIOS	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Net Debt/Equity	0.4	0.5	0.7	0.9	0.8	0.7
Net Debt/EBITDA	1.8	2.3	2.8	2.6	2.0	1.6
Interest cover (EBITDA/Fin.interest)	3.7	8.5	6.4	5.4	6.7	8.2
Capex/D&A	42.3%	34.5%	34.9%	19.5%	16.9%	16.3%
Capex/Sales	3.2%	3.0%	2.4%	1.4%	1.1%	1.0%
NWC/Sales	13.9%	15.6%	21.4%	16.0%	13.3%	11.3%
ROE (average)	7.0%	1.4%	9.1%	5.2%	9.2%	13.0%
ROCE (adj.)	3.9%	3.0%	6.2%	6.1%	8.1%	10.8%
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	0.4	0.3	0.7	0.7	0.9	1.2
PER SHARE DATA (EUR)***	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Average diluted number of shares	21.6	23.4	25.0	25.0	25.0	25.0
EPS (reported)	0.06	0.02	0.15	0.10	0.18	0.29
EPS (adj.)	0.06	0.02	0.15	0.10	0.18	0.29
BVPS	1.09	1.43	1.94	1.92	2.10	2.40
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
EV/Sales	3.3	3.1	2.7	1.9	1.5	1.3
EV/EBITDA	31.7	27.6	19.6	15.2	11.9	9.5
EV/EBITDA (adj.)*	31.7	27.6	19.6	15.2	11.9	9.5
EV/EBITA	120.0	119.7	38.8	36.1	25.2	18.0
EV/EBITA (adj.)*	120.0	119.7	38.8	36.1	25.2	18.0
EV/EBIT	n.m.	n.m.	38.8	36.1	25.2	18.0
EV/EBIT (adj.)*	n.m.	n.m.	38.8	36.1	25.2	18.0
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	43.4	27.3
P/BV	6.9	5.6	4.2	4.2	3.8	3.3
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	4.7	3.6	2.4	2.2	2.0	1.9
OpFCF yield	2.8%	0.5%	-0.4%	4.4%	6.3%	8.3%
OpFCF/EV	2.7%	0.5%	-0.3%	3.7%	5.3%	7.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2020	12/2021	12/2022	12/2023e	12/2024e	12/2025e
Price** (EUR)	7.54	7.98	8.24	8.00	8.00	8.00
Outstanding number of shares for main stock	21.6	23.4	25.0	25.0	25.0	25.0
Total Market Cap	162.8	186.8	205.8	199.8	199.8	199.8
Gross Financial Debt (+)	24.7	54.5	69.6	77.3	77.5	78.0
Cash & Marketable Securities (-)	-15.0	-37.7	-35.6	-36.3	-37.0	-37.8
Net Financial Debt	9.7	16.7	34.0	41.0	40.4	40.2
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	9.7	16.7	34.0	41.0	40.4	40.2
Other EV components	-5.5	-3.1	-3.5	-3.4	-3.4	-3.4
Enterprise Value (EV adj.)	167.0	200.4	236.2	237.4	236.8	236.6

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Technology/Computer Services

Company Description: Izertis is a technological consulting company that helps customers through its digital transformation with a broad portfolio of services. The company has founded in 1996 by its Presidente and CEO and its growth has been constant since then. Now the company is in a growth momentum both organically and inorganically to consolidate the market.

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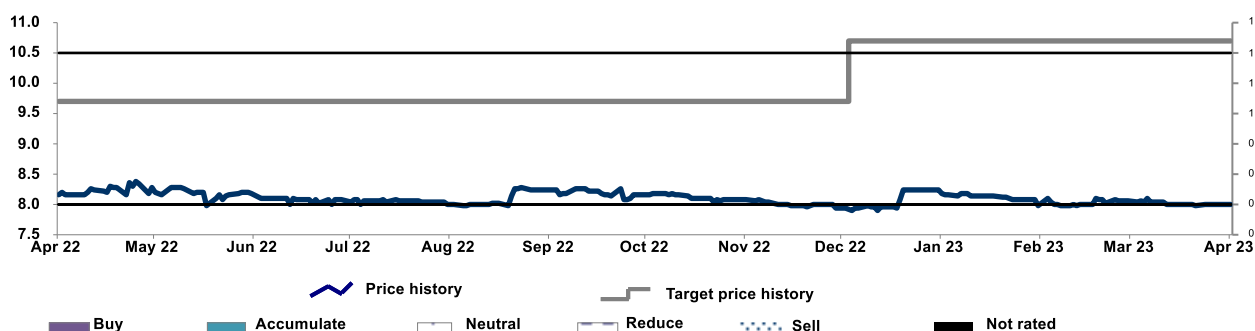
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- has a liquidity contract as outlined by the CNMV's Circular 1/2017 with: Meliá Hotels International; Española de Viviendas en Alquiler S.A. (CEVASA); ENCE Energia y Celulosa; Cementos Molins; Desarrollo Especiales de Sistemas de Anclaje, S.A. (DESA).
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Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
13-Dec-22	Buy	10.70	7.92
07-Apr-22	Buy	9.70	8.24
29-Nov-21	Buy	9.70	7.20

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Juan Peña (since 24/11/2021)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

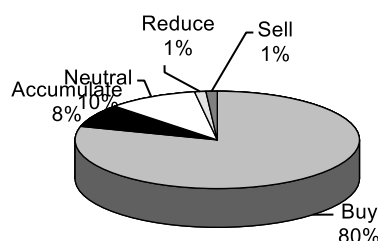
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
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- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months
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Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



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Date and time of production: **12th of April 2023 15:00 CET**

First date and time of dissemination: **12th of April 2023 15:05 CET**

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