

Company Flash Note

Reason: Company results (post view)

15 October 2024

Buy

Recommendation unchanged

Share price: EUR 9.90

closing price as of 14/10/2024

Target price: EUR 12.00

from Target Price: EUR 11.50

Upside/Downside Potential 21.2%

Reuters/Bloomberg

IZER.MC/IZER.SM

Market capitalisation (EURm) 276

Current N° of shares (m) 28

Free float 29%

Daily avg. no. trad. sh. 12 mth (k) 16

Daily avg. trad. vol. 12 mth (k) 48.51

Price high/low 12 months 10.60 / 8.30

Abs Perfs 1/3/12 mths (%) -2.94/6.91/17.86

Key financials (EUR) 12/23 12/24e 12/25e

Sales (m) 117 156 189

EBITDA (m) 19 24 29

EBITDA margin 15.9% 15.2% 15.3%

EBIT (m) 10 13 17

EBIT margin 8.8% 8.2% 9.0%

Net Profit (adj.)(m) 5 6 9

ROCE 6.9% 8.0% 10.4%

Net debt/(cash) (m) 53 49 48

Net Debt Equity 0.7 0.6 0.5

Net Debt/EBITDA 2.8 2.1 1.7

Int. cover(EBITDA/Fin.int) 4.5 4.9 5.7

EV/Sales 2.5 2.1 1.7

EV/EBITDA 15.7 13.6 11.1

EV/EBITDA (adj.) 15.7 13.6 11.1

EV/EBIT 28.3 25.2 18.8

P/E (adj.) 48.4 48.1 31.4

P/BV 3.3 3.4 3.1

OpFCF yield 0.8% 4.8% 6.1%

Dividend yield 0.0% 0.0% 0.0%

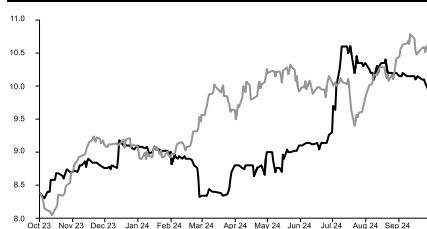
EPS (adj.) 0.19 0.21 0.32

BVPS 2.75 2.95 3.24

DPS 0.00 0.00 0.00

Shareholders

Laren Capital, S.L.U. 50%; Management Team 15%; Grupo Anémona 6%;



Source: FactSet

IZERTIS IBEX 35 (Rebased)

Analyst(s)

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Profitable growth remains solid

The company presented yesterday its first half results, which show good operating and commercial dynamics, demonstrating the company's ability and commitment to continue growing in high value-added businesses to further increase margins even if it is slightly sacrificing revenue growth. The company has invested heavily in personnel during the first half of the year to lay the foundations for future growth, which is expected to accelerate in 2025 thanks to the increased volume of business with existing customers and the opening of new geographies.

- ✓ Revenues grew +9.5% in the first half, almost all of this growth is organic, as there were no acquisitions in the first half of the year, with a small impact from 2023 of little significance. This growth is lower than in previous semesters, which stood at c.+15% organic due to the company's efforts to focus its efforts on larger customers and higher value-added services.
- ✓ This effort is reflected in the margins, as the gross margin grew +4.1pp and the normalised EBITDA margin by +0.3pp, even with a significant effort in personnel expenses (+15.4% yoy) due to the hiring of highly qualified profiles to boost the company's growth in new areas and geographies, which is expected to bear fruit in the last part of the year and during 2025. Even with these effects, EBITDA growth is above double digit (+10.5%) and H1 margin is above our FY24 estimates (15.3% vs 15.2%), taking into account that the second half of the year usually presents a higher margin than the first half.
- ✓ The acquisitions made in 2023 will result in a significant increase in depreciation and amortisation expenses (+32%) and a slight fall in EBIT (-4.5%). We expect that in the second half of the year this trend will be corrected and EBITDA growth could more than offset this increase in depreciation and amortisation and close the year with EBIT growth.
- ✓ Similarly, the increase in interest rates in 2023 and early 2024 has led to a significant increase in financial expenses, which has caused a fall in net profit, although still within positive territory. We also expect this situation to improve in the second half of the year as interest rates moderate and the company's operating results improve.
- ✓ Looking ahead to FY24, we maintain our guidance of c.EUR156m in revenues and c.EUR24m in EBITDA, thanks to the contribution of the two acquisitions made during the last months and the company's better performance in the second half of the year.
- ✓ We roll-over our valuation with an estimated net financial debt of EUR49m for FY24 (including IFRS16, EUR45m as reported by the company) and increasing the number of shares in the company following the latest capital increases by credit compensation announced and we reach a valuation of EUR12 per share, with a potential of c.+20% on current prices.

H124 results

IZERTIS. POST-H1'24 RESULTS.

EURm	H1'23	H1'24	Δ% y/y
Total income	59.9	65.6	9.5%
Supplies	-10.5	-8.8	-16.0%
Gross margin	49.4	56.8	14.9%
<i>% gross margin</i>	<i>82.5%</i>	<i>86.6%</i>	<i>4.1pp</i>
Personnel costs	-37.9	-43.8	15.4%
Other general costs	-3.0	-3.4	13.2%
Other results	-0.1	-0.3	500.0%
Impairment & Results of sale of assets	0.0	0.0	n.a
EBITDA	8.5	9.4	10.5%
other non recurrent costs	0.5	0.7	29.1%
Normalized EBITDA	9.0	10.1	11.6%
Normalized EBITDA mg (%)	15.0%	15.3%	.3pp
EBIT	5.0	4.8	-4.5%
Net income	2.0	1.4	-32.7%

Source: Izertis & GVC Gaesco Valores

Sector analysis

Although the IT consultancy sector has suffered uncertainties at European level in the first half of 2024, these demand problems have been particularly focused on Central Europe (UK, Germany and France) and on companies with very large clients and with a high volume of activity in these countries, which have reduced their expectations of demand for services.

In the case of Izertis (and other comparable companies such as Minsait) in Southern Europe, this demand from clients has grown notably and this is reflected in the companies operating in these geographies.

In addition, companies like Izertis that are increasing their services in medium and large companies have great growth potential, as they can "steal" services from larger competitors with lower efficiency. Therefore, the outlook for Izertis remains robust and there is no slowdown in demand for services (on the contrary). In addition, the opening of new geographies will allow the company to capture new customers and services.

Izertis: Summary tables

PROFIT & LOSS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Sales	65.0	88.4	117	156	189	222
Cost of Sales & Operating Costs	-57.8	-76.4	-98.6	-132.5	-160.4	-188.1
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	7.3	12.1	18.6	23.7	29.0	34.4
EBITDA (adj.)*	7.3	12.1	18.6	23.7	29.0	34.4
Depreciation	-5.6	-6.0	-8.3	-10.9	-11.9	-13.6
Depreciation of Right-of-Use					0	0
EBITA	1.7	6.1	10.4	12.8	17.1	20.8
EBITA (adj.)*	1.7	6.1	10.4	12.8	17.1	20.8
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.7	6.1	10.4	12.8	17.1	20.8
EBIT (adj.)*	1.7	6.1	10.4	12.8	17.1	20.8
Net Financial Interest	-0.9	-1.9	-4.2	-4.8	-5.1	-5.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	-0.4	-0.0	0.0	0.0	0.0
Other Non Recurrent Items	-0.1	0.2	-0.6	-0.3	-0.3	-0.3
Earnings Before Tax (EBT)	0.7	4.0	5.6	7.6	11.7	15.4
Tax	-0.3	-0.3	-0.6	-1.9	-2.9	-3.9
<i>Tax rate</i>	<i>45.8%</i>	<i>7.4%</i>	<i>11.1%</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)	0.4	3.7	5.0	5.7	8.8	11.6
Net Profit (adj.)	0.4	3.7	5.0	5.7	8.8	11.6
CASH FLOW (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Cash Flow from Operations before change in NWC	6.0	10.1	13.3	16.7	20.7	25.2
Change in Net Working Capital	-3.1	-8.8	-8.3	-0.2	-0.2	-0.2
Cash Flow from Operations	2.9	1.3	5.0	16.5	20.5	24.9
Capex	-1.9	-2.1	-3.0	-3.2	-3.5	-3.7
Net Financial Investments	-1.8	-33.6	-11.5	-11.3	-13.3	-14.8
Free Cash Flow	-0.8	-34.4	-9.6	1.9	3.6	6.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-6.2	17.1	-9.5	2.0	-2.9	-5.6
Change in Net Financial Debt	-7.0	-17.2	-19.1	3.9	0.7	0.7
NOPLAT	1.7	6.1	10.4	12.8	17.1	20.8
BALANCE SHEET & OTHER ITEMS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Tangible Assets	3.9	4.0	6.2	6.3	6.3	6.4
Net Intangible Assets (incl. Goodwill)	41.8	75.5	117	126	131	135
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	3.1	3.5	2.8	2.8	2.8	2.8
Total Fixed Assets	48.8	83.1	126	135	140	145
Inventories	0.8	0.8	1.2	1.2	1.3	1.3
Trade receivables	14.4	23.7	32.1	33.1	34.1	35.1
Other current assets	1.3	1.4	3.3	3.4	3.4	3.5
Cash (-)	-37.7	-35.6	-29.4	-30.0	-33.0	-36.3
Total Current Assets	54.2	61.5	66.0	67.7	71.8	76.2
Total Assets	103.0	144.6	192.3	202.3	211.8	220.8
Shareholders Equity	33.5	48.5	72.7	82.3	90.4	98.9
Minority	0.3	0.2	0.2	0.2	0.2	0.2
Total Equity	33.8	48.7	72.9	82.5	90.6	99.1
Long term interest bearing debt	37.0	47.0	52.5	53.1	54.9	56.9
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	3.0	6.5	10.3	9.8	9.3	8.8
Total Long Term Liabilities	40.0	53.5	62.8	62.8	64.2	65.7
Short term interest bearing debt	17.5	22.6	29.9	26.0	26.5	27.1
Trade payables	5.1	5.6	6.1	6.9	7.7	8.5
Other current liabilities	6.8	14.3	20.6	24.1	22.8	20.4
Total Current Liabilities	29.3	42.5	56.6	57.0	57.0	56.0
Total Liabilities and Shareholders' Equity	103.0	144.6	192.3	202.3	211.8	220.8
Net Capital Employed	53.5	89.1	136.2	141.4	148.3	155.6
Net Working Capital	10.1	18.9	27.2	27.4	27.7	27.9
GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
<i>Sales growth</i>	<i>28.2%</i>	<i>36.0%</i>	<i>32.6%</i>	<i>33.3%</i>	<i>21.2%</i>	<i>17.4%</i>
EBITDA (adj.)* growth	38.0%	65.9%	54.4%	27.5%	22.3%	18.4%
<i>EBITA (adj.)* growth</i>	<i>20.3%</i>	<i>264.0%</i>	<i>69.9%</i>	<i>23.7%</i>	<i>33.6%</i>	<i>21.6%</i>
<i>EBIT (adj.)* growth</i>	<i>20.3%</i>	<i>264.0%</i>	<i>69.9%</i>	<i>23.7%</i>	<i>33.6%</i>	<i>21.6%</i>

Izertis: Summary tables

GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Profit growth	-71.6%	852.4%	34.5%	14.5%	53.5%	31.7%
EPS adj. growth	-73.8%	792.9%	27.2%	8.4%	53.5%	31.7%
DPS adj. growth						
EBITDA (adj)* margin	11.2%	13.6%	15.9%	15.2%	15.3%	15.5%
EBITA (adj)* margin	2.6%	6.9%	8.8%	8.2%	9.0%	9.4%
EBIT (adj)* margin	2.6%	6.9%	8.8%	8.2%	9.0%	9.4%
RATIOS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Debt/Equity	0.5	0.7	0.7	0.6	0.5	0.5
Net Debt/EBITDA	2.3	2.8	2.8	2.1	1.7	1.4
Interest cover (EBITDA/Fin.interest)	8.5	6.4	4.5	4.9	5.7	6.8
Capex/D&A	34.5%	34.9%	36.6%	29.5%	29.5%	27.4%
Capex/Sales	3.0%	2.4%	2.6%	2.1%	1.9%	1.7%
NWC/Sales	15.6%	21.4%	23.2%	17.5%	14.6%	12.5%
ROE (average)	1.4%	9.1%	8.3%	7.4%	10.2%	12.2%
ROCE (adj.)	3.0%	6.2%	6.9%	8.0%	10.4%	12.3%
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
ROCE (adj.)/WACC	0.3	0.7	0.8	0.9	1.2	1.4
PER SHARE DATA (EUR)***	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Average diluted number of shares	23.4	25.0	26.4	27.9	27.9	27.9
EPS (reported)	0.02	0.15	0.19	0.21	0.32	0.42
EPS (adj.)	0.02	0.15	0.19	0.21	0.32	0.42
BVPS	1.43	1.94	2.75	2.95	3.24	3.55
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
EV/Sales	3.1	2.7	2.5	2.1	1.7	1.4
EV/EBITDA	27.6	19.6	15.7	13.6	11.1	9.3
EV/EBITDA (adj.)*	27.6	19.6	15.7	13.6	11.1	9.3
EV/EBITA	119.7	38.8	28.3	25.2	18.8	15.4
EV/EBITA (adj.)*	119.7	38.8	28.3	25.2	18.8	15.4
EV/EBIT	n.m.	38.8	28.3	25.2	18.8	15.4
EV/EBIT (adj.)*	n.m.	38.8	28.3	25.2	18.8	15.4
P/E (adj.)	n.m.	55.3	48.4	48.1	31.4	23.8
P/BV	5.6	4.2	3.3	3.4	3.1	2.8
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	3.6	2.4	1.9	2.0	2.0	1.9
OpFCF yield	0.5%	-0.4%	0.8%	4.8%	6.1%	7.7%
OpFCF/EV	0.5%	-0.3%	0.7%	4.1%	5.3%	6.6%
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)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Price** (EUR)	7.98	8.24	9.18	9.90	9.90	9.90
Outstanding number of shares for main stock	23.4	25.0	26.4	27.9	27.9	27.9
Total Market Cap	186.8	205.8	242.4	276.0	276.0	276.0
Gross Financial Debt (+)	54.5	69.6	82.5	79.1	81.4	84.0
Cash & Marketable Securities (-)	-37.7	-35.6	-29.4	-30.0	-33.0	-36.3
Net Financial Debt	16.7	34.0	53.1	49.1	48.4	47.7
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	16.7	34.0	53.1	49.1	48.4	47.7
Other EV components	-3.1	-3.5	-2.8	-2.8	-2.8	-2.8
Enterprise Value (EV adj.)	200.4	236.2	292.7	322.4	321.7	321.0

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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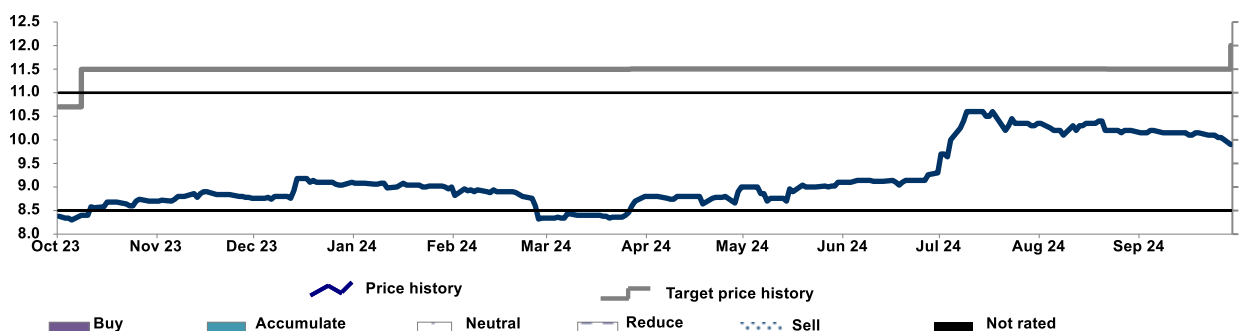
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Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
14-Oct-24	Buy	12.00	9.90
05-Sep-24	Buy	11.50	10.20
10-Apr-24	Buy	11.50	8.46
23-Oct-23	Buy	11.50	8.40
12-Apr-23	Buy	10.70	8.00
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
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **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
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

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

Recommendation	Nr. of stocks covered	%
Buy	60	77%
Accumulate	7	9%
Neutral	9	12%
Reduce	1	1%
Sell	1	1%

of which Sponsored Research

Recommendation	Nr. of stocks covered	%
Buy	12	100%
Accumulate	0	0%
Neutral	0	0%
Reduce	0	0%
Sell	0	0%

ESN Ratings Breakdown

Recommendation	Nr. of stocks covered	%
Buy	230	66%
Accumulate	29	8%
Neutral	83	24%
Reduce	1	0%
Sell	4	1%

of which Sponsored Research

Recommendation	Nr. of stocks covered	%
Buy	36	78%
Accumulate	3	7%
Neutral	7	15%
Reduce	0	0%
Sell	0	0%

For full ESN Recommendation and Target price history (in the last 12 months), please see ESN Website [Link](#)

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