

EQUITY - SPAIN

Sector: Media

Closing price: EUR 9.35 (1 Oct 2024)

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6m Results 2024

Independent Equity Research

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 Opinion ⁽¹⁾: Below expectations

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

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BAM discontinuation takes its toll and leads to a transitional 2024e

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 (48% of 2023 revenue) and in Latam (c. 43% of 2023 revenue).

LLYC GROWS 15.6% IN REVENUE IN 1H24. Mainly due to the integration of Lambert, which allows for the recording of US revenues 1H24 of EUR 17.9Mn (>8x 1H23; c.16% of consolidated revenues) and explains about 80% of the consolidated growth for the semester. In consolidated terms, LLYC records revenues of EUR 54.5Mn (vs EUR 47.2Mn in 2023).

Market Data

Market Cap (Mn EUR and USD)	108.8	120.5
EV (Mn EUR and USD) ⁽²⁾	170.5	188.8
Shares Outstanding (Mn)	11.6	
-12m (Max/Med/Mín EUR)	9.90 / 9.07 / 8.00	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽³⁾	9.4	
Factset / Bloomberg	LLYC-ES / LLYC SM	
Close fiscal year	31-Dec	

THE US BECOMES, DE FACTO, LLYC'S SECOND LARGEST MARKET BY REVENUE VOLUME (C.33% OF REVENUE). Penetration in the US market has been one of LLYC's objectives, which has materialized during 1H24 with the acquisition of Lambert. This has allowed it to consolidate its position in the US market by strengthening the team to offer LLYC's range of services.

BUT MARGINS HAVE SUFFERED (REC. EBITDA MARGIN 1H24: 10.5% VS 16.6% IN 1H23). The commercial margin of the marketing division (EBITDA margin c.5%), which has entailed a large investment, together with the necessary staff restructuring and the delay in the implementation of won tenders from large clients, have eroded margins during 1H24. Leading LLYC to record a Recurring EBITDA 1H24 of EUR 5.7Mn (vs EUR 7.8Mn in 1H23). This represents a fall of c.-6.5pp in the recurring EBITDA margin 1H24 to 10.5%. The recovery of margins to return to the level of the last two years (c.17%) becomes a priority.

THE RESULT (INEVITABLE) IS THE COLLAPSE OF THE NET PROFIT. Below EBITDA, the most relevant items are: (i) non-recurring expenses derived from M&A (EUR 1.1Mn), (ii) the increase in depreciation expense to EUR 0.8Mn (due to the integration of Lambert). Amplifying the effect seen in EBITDA, the 1H24 net profit falls to EUR 1.6Mn (EUR 4.2Mn in 1H23).

INVESTMENT SIGNIFICANTLY INCREASES LLYC'S DEBT. The acquisition of Lambert (Acquisition price: c.EUR 28Mn), the recognition of earn-outs for acquisitions, together with options (c.EUR 10Mn are recorded with maturities of more than 5 years), have resulted in a significant increase in net debt to levels of EUR 47.1Mn (vs EUR 10.5Mn at the end of 2023). This, taking as a reference the 2023 EBITDA implies a DN/EBITDA Rec. 2.7x (0.6x in 2023).

WE WILL HAVE TO REVISE OUR ESTIMATES DOWNWARDS. On the one hand, the problems that arose in the integration of BAM (acquired in March 2023) have led LLYC to discontinue operations, excluding it from the consolidation perimeter and reclassifying its stake (80%) as held for sale. And the 1H24 results will lead us to lower our estimates for the end of the year: we estimate revenues of c.EUR 116Mn (c.EUR 95Mn operational or gross margin) and a recurring EBITDA of c.EUR 14.5Mn.

RESULTS THAT MARK A BOTTOM BUT LEAVE THE COMPANY WITHOUT VISIBILITY IN THE SHORT TERM. LLYC today faces an adverse environment in which the large companies in the sector are not growing (Expected revenue for comparables 2024e: -9%). The restructuring of the business will mark 2024e (although we expect a partial recovery of margins already in 2H24). And the result of the investment (and of the corporate transformation process) will not be visible until 2025e-2026e. If it records a recurring EBITDA 2024e of c.EUR 14.5Mn, LLYC would today trade at an EV/EBITDA of 11.8x (vs 8.5x of comparables). The recovery of margins is, from now on, the new equity story of LLYC.

Shareholders Structure (%)⁽⁵⁾

LLYC Partners	25,9
Octavius Sensus Caucae	21,4
Vivirdemais	13,8
D. Alejandro Romero Paniagua	8,3
Free Float	10,6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-2.1	2.5	0.3	n.a.
vs Ibex 35	-4.4	-2.9	-19.0	n.a.
vs Ibex Small Cap Index	0.1	6.2	-6.8	n.a.
vs Eurostoxx 50	-2.0	2.0	-15.5	n.a.
vs Sector benchmark ⁽⁴⁾	-2.6	2.7	-19.1	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: GPI 9.5%, Luisa García 5.6%, Inversiones Asúa 5.0%

Alejandro Romero has an additional, indirect 5.7% ownership interest in LLYC partners

The shares of Octavius Sensus Caucae (Mara Llorente) and Vivirdemais (Irene Rodríguez) belong to the heirs of José Antonio Llorente.

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

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Appendix 1. Results table

EUR Mn	6m24 Real vs		
	6m24 Real	6m23*	6m23*
Total Revenues	54.5	47.2	15.6%
Operating revenues⁽¹⁾	43.2	38.4	12.3%
<i>Gross Margin/Revenues</i>	<i>79.1%</i>	<i>81.5%</i>	<i>-2.4 p.p.</i>
Recurrent EBITDA⁽²⁾	5.7	7.8	-26.9%
<i>Rec. EBITDA/Revenues</i>	<i>10.5%</i>	<i>17.0%</i>	<i>-6.5 p.p.</i>
EBITDA⁽²⁾	4.7	7.8	-40.2%
<i>EBITDA/Revenues</i>	<i>8.5%</i>	<i>16.5%</i>	<i>-8.0 p.p.</i>
EBIT	2.8	6.5	-56.3%
PBT	2.0	5.5	-63.4%
NP	1.6	4.2	-60.8%

12m23

Net Debt/Net Cash ⁽³⁾	47.1	10.5	349.4%
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*The 2023 Annual Accounts have been restated due to the exclusion of BAM from the consolidation scope.

(1) Operating revenues*: Total revenues less re-invoicing of client services (gross margin in our numbers).

(2) Note 2: Rec. EBITDA adjusted to strip out the impact of: "Work carried out by the group on its assets".

(3) Net Debt adjusted to strip out the impact of IFRS 16 (EUR 7.6Mn and EUR 6.9Mn in 1H24 and 2023, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	108.8	
+ Minority Interests	1.2	6m Results 2024
+ Provisions & Other L/T Liabilities	9.9	6m Results 2024
+ Net financial debt	47.1	6m Results 2024
- Financial Investments	1.5	6m Results 2024
+/- Others ⁽¹⁾	4.9	6m Results 2024
Enterprise Value (EV)	170.5	

(1) Related to the market value of treasury stock and assets held for sale

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Oct-2024	n.a.	9.35	n.a.	n.a.	6m Results 2024	Luis Esteban Arribas, CESGA
27-May-2024	n.a.	9.52	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
22-Mar-2024	n.a.	8.93	n.a.	n.a.	12m Results 2023 - Estimates upgrade	Luis Esteban Arribas, CESGA
20-Feb-2024	n.a.	9.32	n.a.	n.a.	Important news	Luis Esteban Arribas, CESGA
25-Jan-2024	n.a.	8.09	n.a.	n.a.	12m Results 2023	Luis Esteban Arribas, CESGA
21-Sep-2023	n.a.	9.71	n.a.	n.a.	6m Results 2023 - Estimates downgrade	Luis Esteban Arribas, CESGA
27-Jul-2023	n.a.	10.20	n.a.	n.a.	6m 2023 Preliminary results	Luis Esteban Arribas, CESGA
12-Jun-2023	n.a.	10.07	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
31-Mar-2023	n.a.	9.98	n.a.	n.a.	Important news - Estimates upgrade	Luis Esteban Arribas, CESGA
09-Mar-2023	n.a.	11.14	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas, CESGA
25-Jan-2023	n.a.	9.32	n.a.	n.a.	12m 2022 Preliminary results	Luis Esteban Arribas, CESGA
21-Sep-2022	n.a.	9.98	n.a.	n.a.	6m Results 2022	Luis Esteban Arribas, CESGA
22-Jul-2022	n.a.	10.12	n.a.	n.a.	6m 2022 Preliminary results	Luis Esteban Arribas, CESGA
11-Mar-2022	n.a.	12.43	n.a.	n.a.	12m Results 2021	Luis Esteban Arribas, CESGA
20-Jan-2022	n.a.	12.34	n.a.	n.a.	12m 2021 Preliminary results	Luis Esteban Arribas, CESGA
23-Dec-2021	n.a.	11.00	n.a.	n.a.	Initiation of Coverage	Luis Esteban Arribas, CESGA

