

EQUITY - SPAIN

Sector: Media

Closing price: EUR 1.40 (9 Nov 2023)

Report date: 10 Nov 2023 (8:40h)

9m Results 2023 - Estimates upgrade

Independent Equity Research

9m Results 2023

 Opinion ⁽¹⁾: Above expectations

 Impact ⁽¹⁾: We raise our estimates

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Squirrel Media (SQRL), is a Spanish group present throughout the value chain of the entertainment and media sector through its businesses of: (i) Advertising (45.9% of revenue), (ii) Content (production and distribution of audiovisual content; 9.3%), (iii) TMT services (11.3%) and (iv) Media (33.5%).

9M23 earnings: The content business confirms the new phase for SQRL

INVESTMENT IN CONTENT (>EUR 40MN; 3Y) IS BEARING FRUIT, PUSHING UP 9M23 REVENUE TO EUR 86MN (+47% VS 9M22)... in line with our estimates. What's more, the partial integration of M&A (especially Ganga Group, consolidated from June; pro forma revenue FY 2023e of EUR 27Mn) also boosts the content business' share of revenue to c.40% of 9M23. This, coupled with a good performance by media (+24.1%), offset the drop in advertising revenue (-19.1%).

...AND DRIVING GROWTH IN MARGINS (EBITDA MARGIN OF 20%; +2.6P.P. VS 9M22). This was already evident in 1H23 because of content's greater weighting in the revenue mix (EBITDA margin of c. 30% vs 15%-20% by the other business lines). Adding in topline growth (and the momentum brought by M&A, without undermining margins), this explains the jump in recurring EBITDA to EUR 17.2Mn (+69.3% vs 9M22).

DEBT IS STILL IN CHECK (ND 9M23: EUR 27.9MN; ND/EBITDA 23E 1.1X). SQRL ended 9M23 with net debt of EUR 27.9Mn (+18.9% vs. year-end 2022). We estimate debt of EUR 28.6Mn at the end of 2023e. The main drivers of net debt from now to December are: (i) M&A deals carried out in 2023e (impact on cash flow: EUR 8.2Mn) and (ii) CAPEX of EUR 15Mn earmarked to continue "feeding" the audiovisual content catalogue.

WE ARE RAISING OUR ESTIMATES (EBITDA 2023E: +15%). We are leaving our revenue estimate intact but raising our estimates for EBITDA for 2023e and beyond (EBITDA 2023e: EUR 26.1Mn +14.9% vs our previous estimate) in the wake of the 3Q margin performance (EBITDA margin of 28%). SQRL's profitability seems to pivot around the content business.

FASTER GROWTH IN THE CONTENT BUSINESS SIGNALS A TURNING POINT IN SQRL'S BUSINESS. The key takeaway from the 9M23 earnings is the EBITDA generated by SQRL in 3Q (EUR 10Mn vs EUR 7.2Mn in 1H23). The (expected) take-off by the content business has changed the P/L completely, increasing profitability and boosting EBITDA. SQRL has 105 new releases committed to in the 2023e-2024e period. When these new releases come out, they will become the company's new equity story. Our 2023e numbers now imply an EV/EBITDA multiple of 6.8x for SQRL (vs the Europe and USA media sector peer average of 9.6x).

Market Data

Market Cap (Mn EUR and USD)	126.9	136.0
EV (Mn EUR and USD) ⁽²⁾	178.5	191.3
Shares Outstanding (Mn)	90.7	
-12m (Max/Med/Min EUR)	2.75 / 2.26 / 1.31	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation ⁽³⁾	4.2	
Factset / Bloomberg	SQRL-ES / SQRL SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

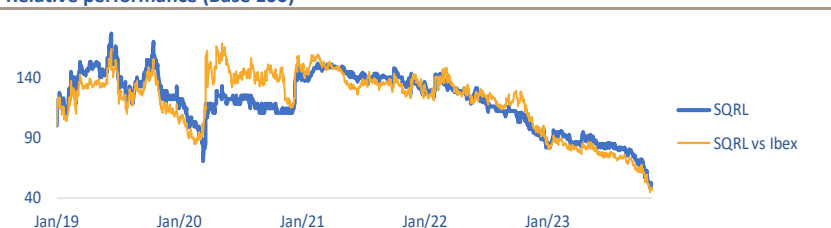
Squirrel Capital	92.6
Free Float	7.4

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	89.0	89.7	90.7	90.7
Total Revenues	79.1	126.2	157.5	175.1
Rec. EBITDA	13.8	26.1	36.4	44.2
% growth	85.3	89.8	39.4	21.2
% Rec. EBITDA/Rev.	17.4	20.7	23.1	25.2
% Inc. EBITDA sector ⁽⁴⁾	13.9	7.8	8.2	6.8
Net Profit	3.5	10.0	15.4	19.3
EPS (EUR)	0.04	0.11	0.17	0.21
% growth	-38.6	180.5	52.1	25.4
Ord. EPS (EUR)	0.03	0.11	0.17	0.21
% growth	-39.5	227.0	52.1	25.4
Rec. Free Cash Flow ⁽⁵⁾	-13.1	4.2	13.0	19.7
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	23.4	28.6	15.6	-4.1
ND/Rec. EBITDA (x)	1.7	1.1	0.4	-0.1
ROE (%)	9.7	20.8	25.3	24.7
ROCE (%) ⁽⁵⁾	10.4	16.6	21.6	25.1

Ratios & Multiples (x) ⁽⁶⁾

	2022	2023e	2024e	2025e
P/E	35.2	12.6	8.3	6.6
Ord. P/E	41.1	12.6	8.3	6.6
P/BV	3.0	2.4	1.9	1.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	2.26	1.41	1.13	1.02
EV/Rec. EBITDA	13.0	6.8	4.9	4.0
EV/EBIT	22.4	9.9	6.7	5.4
FCF Yield (%) ⁽⁵⁾	n.a.	3.3	10.3	15.5

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-28.2	-36.9	-47.8	-40.7	-53.3	n.a.
vs Ibxex 35	-30.1	-37.3	-55.3	-48.1	-63.0	n.a.
vs Ibxex Small Cap Index	-29.0	-32.8	-51.1	-43.3	-57.4	n.a.
vs Eurostoxx 50	-30.2	-35.6	-54.0	-46.8	-62.4	n.a.
vs Sector benchmark ⁽⁴⁾	-29.4	-39.7	-55.7	-49.0	-66.3	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 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Media.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

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

9m Results 2023
Estimates upgrade
Table 1. 9m23 Results

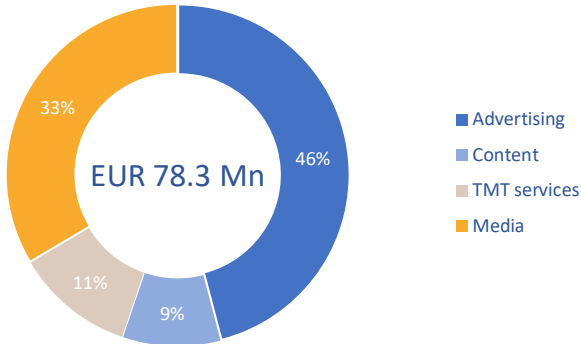
EUR Mn	9m23 Real	9m22	9m23 Real vs 9m22	2023e 2023e	2023e vs 2022	3Q23	3Q23 vs 3Q22
Total Revenues	86.0	58.5	47.0%	126.2	59.5%	35.6	66.0%
Advertising	23.6	29.2	-19.1%	40.7	13.3%	9.6	-7.4%
Content	33.2	4.4	n.a.	43.5	496.9%	15.7	n.a.
TMT Services	6.0	6.5	-8.1%	11.1	25.0%	1.8	-16.0%
Media	22.8	18.3	24.1%	31.0	18.2%	8.1	20.3%
Other income	0.4	0.0	n.a.	0.0	n.a.	0.4	n.a.
EBITDA	17.2	10.2	69.3%	26.1	80.5%	10.0	105.0%
<i>EBITDA/Revenues</i>	<i>20.0%</i>	<i>17.4%</i>	<i>2.6 p.p.</i>	<i>20.7%</i>	<i>2.4 p.p.</i>	<i>28.1%</i>	<i>5.3 p.p.</i>
EBIT	13.6	8.6	58.3%	18.0	126.6%	7.2	92%
PBT	13.4	8.5	57.8%	15.9	142.6%	7.1	92.6%
CAPEX	-11.2	-15.2	-26.4%	-15.1	33.5%		
		12m22					
Net Debt	27.9	23.4	18.9%	28.6	22.2%		

Table 2. Estimates upgrade

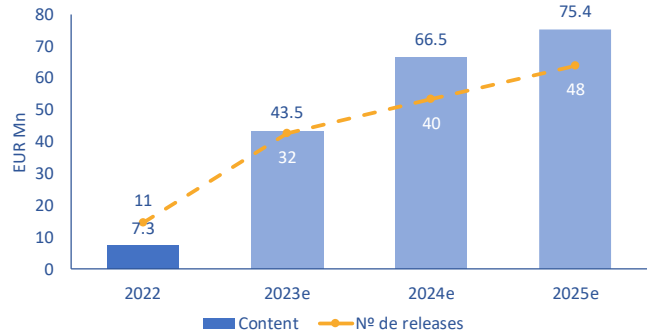
EUR Mn	2023e (Nuevo)	Revisión (%)	2024e (Nuevo)	Revisión (%)	2025e (Nuevo)	Revisión (%)
Total Ingresos	126,2	0,0%	157,5	0,0%	175,1	0,0%
EBITDA (Recurrente)	26,1	14,9%	36,4	10,1%	44,2	3,0%
<i>Cto. EBITDA Rec.</i>	<i>89,8%</i>	<i>25 p.p.</i>	<i>39,4%</i>	<i>-6 p.p.</i>	<i>21,2%</i>	<i>-8 p.p.</i>
<i>EBITDA Rec. / Ventas</i>	<i>20,7%</i>	<i>3 p.p.</i>	<i>23,1%</i>	<i>2 p.p.</i>	<i>25,2%</i>	<i>1 p.p.</i>
EBIT	18,0	23,1%	26,7	14,2%	32,9	4,0%
Beneficio Neto	10,0	21,7%	15,4	12,9%	19,3	2,4%
<i>DN / EBITDA</i>	<i>1,1 x</i>	<i>-0,3 x</i>	<i>0,4 x</i>	<i>-0,2 x</i>	<i>-0,1 x</i>	<i>-0,1 x</i>

The company in 8 charts

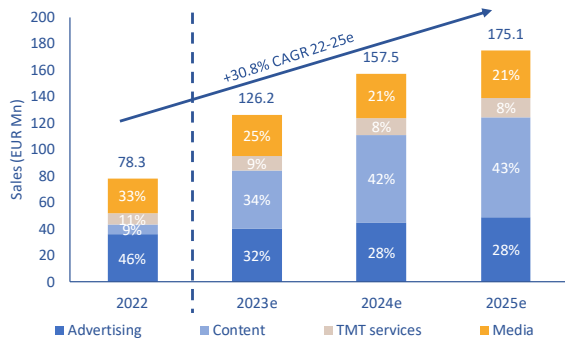
A business diversified across four major areas of the media business (% o/Revenue 2022)



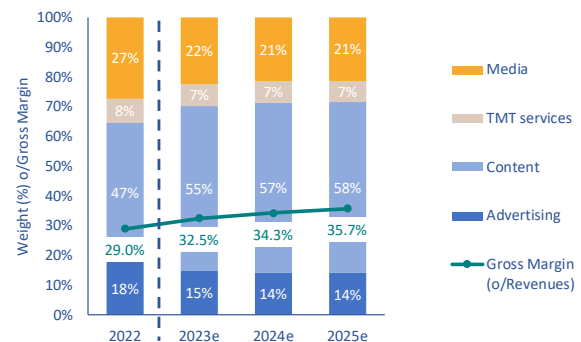
We expect a strong take-off of the content business (explained by the higher number of new releases)...



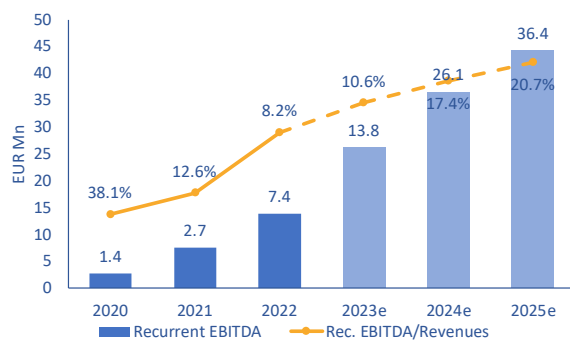
...and enabling the company to expect revenue in 2025e of around EUR 175.1Mn (+30.8% CAGR 22-25e)



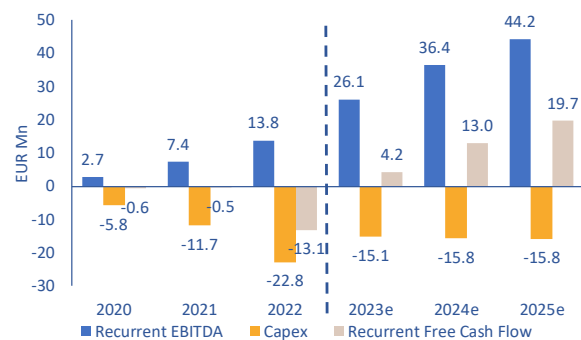
With a gross margin of 35.7% in 2025e (vs 29.0% in 2022) driven by growth in the more profitable business lines



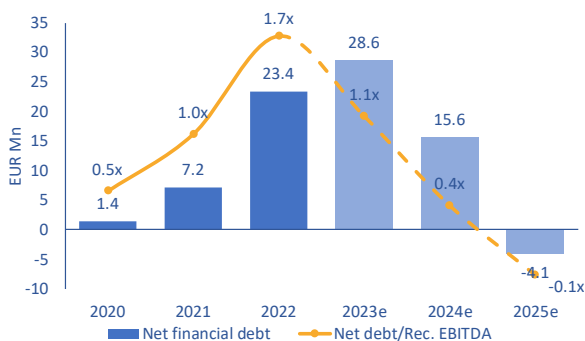
The larger weight of content in the revenue mix should drive EBITDA 2025e to EUR 44.2Mn (vs EUR 13.8Mn in 2022)...



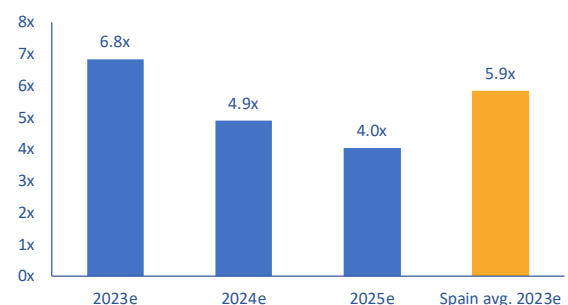
...leaving room for positive FCF (Rec. FCF 2025e: EUR 19.7Mn) despite high CAPEX (required to renew content)



Cash generation should keep debt under control (ND/EBITDA 2023e 1.1x)



EV/EBITDA 2023e 6.8x vs 5.9x from its Spanish peers



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(3.5)	14.9	21.6	298.3		
Market Cap	126.9	At the date of this report				
Net financial debt	27.9	Debt net of Cash (9m Results 2023)				
					Best Case	Worst Case
Cost of Debt	6.5%	Net debt cost			6.3%	6.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	5.2%	Kd = Cost of Net Debt * (1-T)			5.0%	5.4%
Risk free rate (rf)	3.7%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.1	B (own estimate)			1.0	1.2
Cost of Equity	10.3%	Ke = Rf + (R * B)			9.2%	11.5%
Equity / (Equity + Net Debt)	82.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	18.0%	D			=	=
WACC	9.4%	WACC = Kd * D + Ke * E			8.4%	10.4%
G "Fair"	2.0%				2.5%	2.0%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Omnicom	OMC-US	13,850.1	10.3	6.9%	8.2	5.4%	1.3	3.8%	16.3%	11.9%	3.7%
WPP	WPP-GB	8,906.8	7.9	6.5%	6.6	3.1%	1.2	2.2%	17.8%	10.8%	20.5%
Publicis	PUB-FR	18,278.8	10.5	4.3%	7.1	3.8%	1.6	3.8%	22.1%	9.4%	9.3%
Interpublic	IPG-US	10,236.8	10.0	4.7%	8.1	4.0%	1.5	4.9%	18.5%	10.6%	5.7%
Advertising global players			9.7	5.6%	7.5	4.1%	1.4	3.7%	18.7%	10.7%	9.8%
Atresmedia	A3M-ES	814.2	7.2	-1.2%	5.1	-1.7%	0.9	0.2%	17.6%	10.5%	5.8%
Prisa	PRS-ES	292.9	n.a.	n.a.	7.2	12.6%	1.2	4.1%	17.2%	n.a.	58.1%
Vocento	VOC-ES	76.9	28.0	n.a.	5.2	17.5%	0.5	2.2%	9.3%	22.5%	10.7%
Media sector in España			17.6	-2.9%	5.9	7.0%	0.9	1.7%	15.2%	16.5%	24.9%
SQRL	SQRL-ES	126.9	12.6	38.1%	6.8	30.0%	1.4	17.8%	20.7%	3.3%	n.a.

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	25.4%	40.1	4.5x
Central	23.1%	36.4	4.9x
Min	20.8%	32.8	5.4x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 24e				Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	9.0%	10.0%	11.0%					
40.1	18.2	16.6	15.1	➔	Max	14.3%	13.1%	11.9%
36.4	14.6	13.0	11.4		Central	11.5%	10.3%	9.0%
32.8	11.0	9.4	7.8		Min	8.6%	7.4%	6.2%

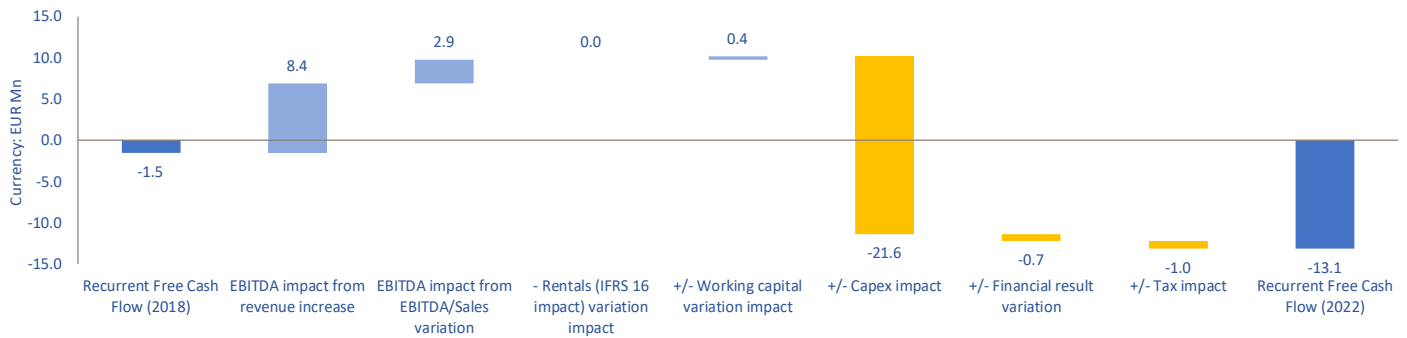
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e		
Intangible assets	10.3	15.6	19.1	31.3	70.7	70.7	70.7	70.7		
Fixed assets	0.4	1.6	2.0	2.2	2.3	18.8	24.8	29.3		
Other Non Current Assets	0.0	0.0	0.0	0.8	4.8	4.8	4.8	4.8		
Financial Investments	-	0.6	10.5	12.9	12.0	12.0	12.0	12.0		
Goodwill & Other Intangibles	0.5	2.2	3.0	2.3	5.0	5.0	5.0	5.0		
Current assets	3.3	12.7	13.7	11.4	18.6	28.1	34.4	37.9		
Total assets	14.5	32.7	48.3	61.0	113.4	139.4	151.7	159.8		
Equity	8.2	20.2	26.9	29.9	43.0	53.0	68.4	87.7		
Minority Interests	(0.6)	(0.3)	0.4	0.5	5.0	7.7	11.8	17.0		
Provisions & Other L/T Liabilities	0.0	0.0	4.2	5.5	18.6	18.6	18.6	18.6		
Other Non Current Liabilities	-	-	-	0.7	1.2	1.2	1.2	1.2		
Net financial debt	3.8	1.1	1.4	7.2	23.4	28.6	15.6	(4.1)		
Current Liabilities	3.0	11.7	15.4	17.1	22.1	30.2	36.0	39.3		
Equity & Total Liabilities	14.5	32.7	48.3	61.0	113.4	139.4	151.7	159.8		
CAGR										
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	6.4	10.8	32.6	70.0	79.1	126.2	157.5	175.1	87.3%	30.3%
<i>Total Revenues growth</i>	66.2%	67.3%	203.0%	114.7%	13.0%	59.5%	24.8%	11.2%		
COGS	(1.9)	(5.2)	(21.9)	(53.4)	(56.2)	(85.2)	(103.5)	(112.5)		
Gross Margin	4.6	5.6	10.7	16.6	22.9	41.0	54.0	62.5	49.7%	39.7%
<i>Gross Margin/Revenues</i>	71.0%	51.8%	32.9%	23.7%	29.0%	32.5%	34.3%	35.7%		
Personnel Expenses	(1.9)	(2.2)	(3.9)	(5.3)	(6.0)	(8.2)	(9.6)	(10.0)		
Other Operating Expenses	(0.2)	(2.0)	(4.2)	(3.8)	(3.2)	(6.7)	(7.9)	(8.4)		
Recurrent EBITDA	2.5	1.4	2.7	7.4	13.8	26.1	36.4	44.2	54.0%	47.5%
<i>Recurrent EBITDA growth</i>	292.9%	-44.8%	98.0%	177.6%	85.3%	89.8%	39.4%	21.2%		
<i>Rec. EBITDA/Revenues</i>	38.1%	12.6%	8.2%	10.6%	17.4%	20.7%	23.1%	25.2%		
Restructuring Expense & Other non-rec.	-	-	-	0.5	0.7	-	-	-		
EBITDA	2.5	1.4	2.7	8.0	14.5	26.1	36.4	44.2	55.9%	45.0%
Depreciation & Provisions	(0.4)	(2.5)	(1.1)	(2.5)	(6.5)	(8.1)	(9.7)	(11.2)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	(0.0)	-	-	-	-	-	-		
EBIT	2.1	(1.1)	1.6	5.5	8.0	18.0	26.7	32.9	40.1%	60.6%
<i>EBIT growth</i>	-5.9%	-154.3%	240.8%	248.3%	44.5%	126.6%	48.3%	23.2%		
<i>EBIT/Revenues</i>	32.1%	n.a.	4.8%	7.9%	10.1%	14.3%	17.0%	18.8%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.0)	(0.1)	(0.1)	(0.1)	(1.4)	(2.1)	(2.3)	(2.3)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	2.0	(1.2)	1.5	5.4	6.5	15.9	24.4	30.6	33.8%	67.2%
<i>Ordinary Profit Growth</i>	9.2%	-157.7%	224.5%	266.4%	21.7%	142.6%	53.7%	25.4%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	2.0	(1.2)	1.5	5.4	6.5	15.9	24.4	30.6	33.8%	67.2%
Tax Expense	(0.2)	(0.3)	(0.1)	0.2	(1.9)	(3.2)	(4.9)	(6.1)		
<i>Effective Tax Rate</i>	8.2%	n.a.	7.7%	n.a.	29.0%	20.0%	20.0%	20.0%		
Minority Interests	(0.1)	0.0	0.0	(0.0)	(1.1)	(2.7)	(4.1)	(5.2)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	1.8	(1.5)	1.4	5.6	3.5	10.0	15.4	19.3	18.4%	76.0%
<i>Net Profit growth</i>	-93.5%	-182.6%	193.8%	298.0%	-36.3%	182.7%	53.7%	25.4%		
Ordinary Net Profit	1.8	(1.2)	1.4	4.8	3.0	10.0	15.4	19.3	13.9%	85.2%
<i>Ordinary Net Profit growth</i>	-0.9%	-165.4%	218.5%	246.4%	-37.3%	229.6%	53.7%	25.4%		
CAGR										
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						26.1	36.4	44.2	54.0%	47.5%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(1.5)	(0.5)	(0.3)		
Recurrent Operating Cash Flow						24.7	36.0	43.9	n.a.	56.0%
CAPEX						(15.1)	(15.8)	(15.8)		
Net Financial Result affecting the Cash Flow						(2.1)	(2.3)	(2.3)		
Tax Expense						(3.2)	(4.9)	(6.1)		
Recurrent Free Cash Flow						4.2	13.0	19.7	-71.8%	51.8%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(9.4)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(5.2)	13.0	19.7	n.a.	40.6%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						5.2	(13.0)	(19.7)		

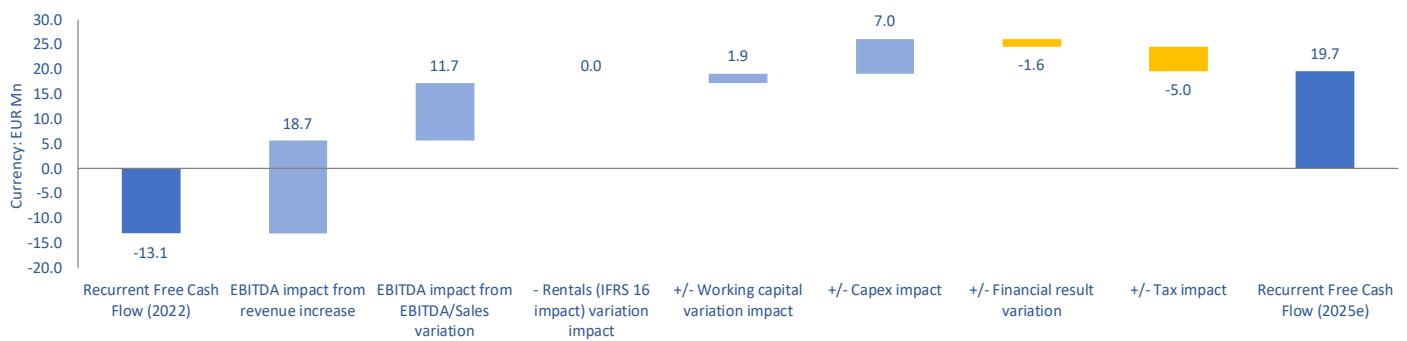
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	1.4	2.7	7.4	13.8	26.1	36.4	44.2	<i>n.a.</i>	47.5%
<i>Recurrent EBITDA growth</i>	-44.8%	98.0%	177.6%	85.3%	89.8%	39.4%	21.2%		
<i>Rec. EBITDA/Revenues</i>	12.6%	8.2%	10.6%	17.4%	20.7%	23.1%	25.2%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.7)	2.7	4.1	(2.2)	(1.5)	(0.5)	(0.3)		
= Recurrent Operating Cash Flow	0.6	5.4	11.5	11.6	24.7	36.0	43.9	<i>n.a.</i>	56.0%
<i>Rec. Operating Cash Flow growth</i>	449.7%	756.2%	114.6%	0.6%	113.1%	45.9%	22.1%		
<i>Rec. Operating Cash Flow / Sales</i>	5.8%	16.4%	16.4%	14.6%	19.5%	22.8%	25.1%		
- CAPEX	(5.9)	(5.8)	(11.7)	(22.8)	(15.1)	(15.8)	(15.8)		
- Net Financial Result affecting Cash Flow	0.1	(0.1)	(0.1)	(0.8)	(2.1)	(2.3)	(2.3)		
- Taxes	(0.1)	(0.1)	(0.1)	(1.2)	(3.2)	(4.9)	(6.1)		
= Recurrent Free Cash Flow	(5.4)	(0.6)	(0.5)	(13.1)	4.2	13.0	19.7	-34.9%	51.8%
<i>Rec. Free Cash Flow growth</i>	-255.0%	87.9%	29.7%	<i>n.a.</i>	131.9%	210.3%	51.4%		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	3.3%	8.3%	11.3%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	-	(2.3)	(12.2)	(9.4)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(5.4)	(0.6)	(2.8)	(25.3)	(5.2)	13.0	19.7	-67.8%	40.6%
<i>Free Cash Flow growth</i>	-255.0%	87.9%	-329.5%	-810.3%	79.4%	350.0%	51.4%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	3.3%	10.3%	15.5%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	10.3%	15.5%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e		
Recurrent FCF(FY - 1)	(1.5)	(5.4)	(0.6)	(0.5)	(13.1)	4.2	13.0		
EBITDA impact from revenue increase	1.6	2.7	3.1	1.0	8.2	6.5	4.1		
EBITDA impact from EBITDA/Sales variation	(2.7)	(1.4)	1.7	5.4	4.2	3.8	3.7		
= Recurrent EBITDA variation	(1.1)	1.3	4.8	6.3	12.4	10.3	7.7		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	1.9	3.4	1.4	(6.3)	0.7	1.0	0.2		
= Recurrent Operating Cash Flow variation	0.8	4.7	6.1	0.1	13.1	11.3	7.9		
+/- CAPEX impact	(4.8)	0.1	(6.0)	(11.0)	7.6	(0.6)	(0.0)		
+/- Financial result variation	0.1	(0.2)	(0.0)	(0.6)	(1.4)	(0.2)	-		
+/- Tax impact	0.0	0.0	0.0	(1.1)	(2.0)	(1.7)	(1.2)		
= Recurrent Free Cash Flow variation	(3.8)	4.7	0.2	(12.7)	17.3	8.8	6.7		
Recurrent Free Cash Flow	(5.4)	(0.6)	(0.5)	(13.1)	4.2	13.0	19.7		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	(1.1)	1.6	5.5	8.0	18.0	26.7	32.9	<i>n.a.</i>	60.6%
* Theoretical Tax rate	0.0%	7.7%	0.0%	29.0%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	(0.1)	-	(2.3)	(3.6)	(5.3)	(6.6)		
Recurrent EBITDA	1.4	2.7	7.4	13.8	26.1	36.4	44.2	<i>n.a.</i>	47.5%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.7)	2.7	4.1	(2.2)	(1.5)	(0.5)	(0.3)		
= Recurrent Operating Cash Flow	0.6	5.4	11.5	11.6	24.7	36.0	43.9	<i>n.a.</i>	56.0%
- CAPEX	(5.9)	(5.8)	(11.7)	(22.8)	(15.1)	(15.8)	(15.8)		
- Taxes (pre- Financial Result)	-	(0.1)	-	(2.3)	(3.6)	(5.3)	(6.6)		
= Recurrent Free Cash Flow (To the Firm)	(5.3)	(0.5)	(0.2)	(13.5)	5.9	14.9	21.6	-36.9%	53.2%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-254.5%	89.7%	56.4%	<i>n.a.</i>	143.7%	151.8%	45.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	4.7%	9.4%	12.3%		
- Acquisitions / + Divestments	-	-	(2.3)	(12.2)	(9.4)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(5.3)	(0.5)	(2.6)	(25.7)	(3.5)	14.9	21.6	-69.5%	41.6%
<i>Free Cash Flow (To the Firm) growth</i>	-254.5%	89.7%	-371.1%	-902.5%	86.4%	525.8%	45.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	3.3%	8.3%	12.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	8.3%	12.1%		

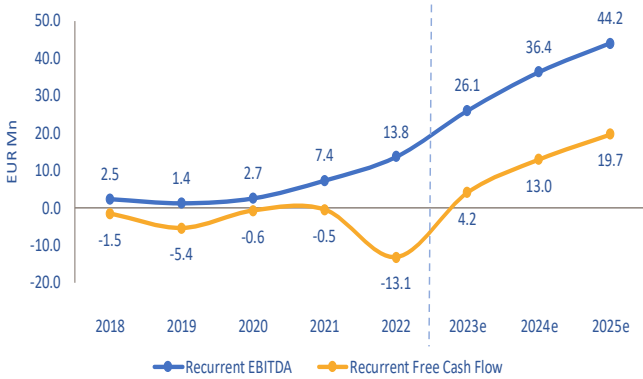
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)



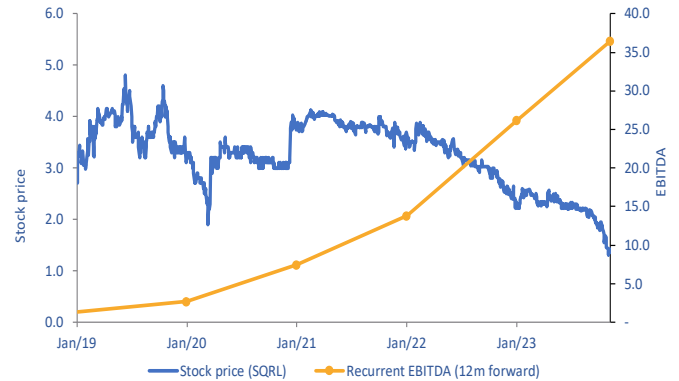
Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	126.9	
+ Minority Interests	12.4	9m Results 2023
+ Provisions & Other L/T Liabilities	22.0	9m Results 2023
+ Net financial debt	27.9	9m Results 2023
- Financial Investments	10.7	9m Results 2023
+/- Others		
Enterprise Value (EV)	178.5	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues			6.0	3.0	4.0	3.9	6.4	10.8	32.6	70.0	79.1	126.2	157.5	175.1	n.a.	30.3%
Total Revenues growth			n.a.	-50.2%	33.3%	-3.5%	66.2%	67.3%	203.0%	114.7%	13.0%	59.5%	24.8%	11.2%		
EBITDA			0.0	(1.8)	(0.3)	0.6	2.5	1.4	2.7	8.0	14.5	26.1	36.4	44.2	n.a.	45.0%
EBITDA growth			n.a.	n.a.	82.8%	307.3%	292.9%	-44.8%	98.0%	197.2%	81.9%	80.5%	39.4%	21.2%		
EBITDA/Sales			0.3%	n.a.	n.a.	16.1%	38.1%	12.6%	8.2%	11.4%	18.3%	20.7%	23.1%	25.2%		
Net Profit			(12.0)	(4.1)	(1.2)	27.9	1.8	(1.5)	1.4	5.6	3.5	10.0	15.4	19.3	n.a.	76.0%
Net Profit growth			n.a.	65.3%	70.6%	n.a.	-93.5%	-182.6%	193.8%	298.0%	-36.3%	182.7%	53.7%	25.4%		
Adjusted number shares (Mn)			7.9	7.9	7.9	7.8	15.1	19.1	41.0	85.9	89.0	89.7	90.7	90.7		
EPS (EUR)			-1.52	-0.53	-0.15	3.57	0.12	-0.08	0.03	0.06	0.04	0.11	0.17	0.21	n.a.	74.9%
EPS growth			n.a.	65.3%	70.6%	n.a.	-96.6%	n.a.	n.a.	90.1%	-38.6%	n.a.	52.1%	25.4%		
Ord. EPS (EUR)			-1.52	-0.53	-0.15	0.23	0.12	-0.06	0.03	0.06	0.03	0.11	0.17	0.21	n.a.	84.1%
Ord. EPS growth			n.a.	65.3%	70.6%	n.a.	-48.6%	n.a.	n.a.	65.5%	-39.5%	n.a.	52.1%	25.4%		
CAPEX			(0.2)	(0.4)	(0.7)	(1.7)	(1.1)	(5.9)	(5.8)	(11.7)	(22.8)	(15.1)	(15.8)	(15.8)		
CAPEX/Sales %			4.1%	13.5%	16.4%	43.1%	17.7%	54.8%	17.7%	16.8%	28.8%	12.0%	10.0%	9.0%		
Free Cash Flow			0.6	4.4	(1.6)	(9.2)	(1.5)	(5.4)	(0.6)	(2.8)	(25.3)	(5.2)	13.0	19.7	n.a.	40.6%
ND/EBITDA (x) ⁽²⁾			n.a.	n.a.	n.a.	8.4x	1.6x	0.8x	0.5x	0.9x	1.6x	1.1x	0.4x	-0.1x		
P/E (x)			n.a.	n.a.	n.a.	n.a.	20.9x	n.a.	n.a.	57.2x	59.4x	12.6x	8.3x	6.6x		
EV/Sales (x)			6.49x	11.57x	9.11x	5.29x	6.46x	5.52x	10.06x	4.55x	3.10x	1.41x	1.13x	1.02x		
EV/EBITDA (x) ⁽²⁾			n.a.	n.a.	n.a.	32.8x	16.9x	43.9x	n.a.	40.0x	16.9x	6.8x	4.9x	4.0x		
Absolute performance			-40.7%	-48.3%	2.2%	0.0%	0.0%	32.5%	23.7%	24.8%	-4.4%	-36.2%	-40.7%			
Relative performance vs Ibex 35			-37.8%	-57.4%	-1.4%	7.7%	2.1%	-6.9%	55.8%	10.6%	47.7%	-11.4%	-32.5%	-48.1%		

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

Market data	EUR Mn	Advertising global players					Media sector in España			Average	Media World Players		Average	SQRL
		Omnicom	WPP	Publicis	Interpublic	Average	Atresmedia	Prisa	Vocento		Vivendi	Paramount		
Ticker (Factset)		OMC-US	WPP-GB	PUB-FR	IPG-US	Average	A3M-ES	PRS-ES	VOC-ES	Average	VIV-FR	paraa-us	Average	SQRL-ES
Country		USA	UK	France	USA	Average	Spain	Spain	Spain	Average	USA	USA	Average	Spain
Market cap		13,850.1	8,906.8	18,278.8	10,236.8	Average	814.2	292.9	76.9	Average	8,278.3	7,508.4	Average	126.9
Enterprise value (EV)		18,115.2	15,940.0	20,572.3	13,142.6	Average	863.2	1,145.0	178.4	Average	11,221.8	22,312.1	Average	178.5
Total Revenues		13,650.1	13,610.3	13,081.9	8,834.0	Average	959.1	923.6	369.2	Average	9,833.6	28,067.1	Average	126.2
Total Revenues growth		2.4%	-17.7%	-7.8%	-13.4%	Average	10.6%	11.2%	8.2%	Average	2.5%	-0.3%	Average	59.5%
2y CAGR (2023e - 2025e)		3.8%	2.2%	3.8%	4.9%	Average	3.7%	0.2%	4.1%	Average	2.2%	2.9%	Average	17.8%
EBITDA		2,220.9	2,421.6	2,892.0	1,632.2	Average	169.0	158.4	34.2	Average	1,244.5	2,180.2	Average	26.1
EBITDA growth		-1.5%	-2.9%	0.3%	-0.5%	Average	89.3%	34.1%	13.5%	Average	45.6%	7.0%	Average	-10.8%
2y CAGR (2023e - 2025e)		5.4%	3.1%	3.8%	4.0%	Average	4.1%	-1.7%	12.6%	Average	9.5%	10.7%	Average	30.0%
EBITDA/Revenues		16.3%	17.8%	22.1%	18.5%	Average	17.6%	17.2%	9.3%	Average	12.7%	7.8%	Average	20.7%
EBIT		2,055.9	2,004.8	2,351.6	1,398.1	Average	150.7	85.3	11.6	Average	836.3	(462.3)	Average	18.0
EBIT growth		0.3%	3.7%	14.1%	1.0%	Average	110.8%	80.9%	53.4%	Average	81.7%	45.2%	Average	-36.0%
2y CAGR (2023e - 2025e)		5.1%	4.8%	3.7%	3.7%	Average	4.3%	-1.9%	22.0%	Average	21.8%	13.1%	Average	35.2%
EBIT/Revenues		15.1%	14.7%	18.0%	15.8%	Average	15.7%	9.2%	3.1%	Average	9.4%	8.5%	Average	14.3%
Net Profit		1,364.7	1,147.4	1,553.1	1,017.9	Average	112.6	(14.8)	2.7	Average	667.8	337.8	Average	10.0
Net Profit growth		11.1%	46.6%	27.1%	16.3%	Average	25.3%	-0.3%	-27.8%	Average	-14.2%	193.8%	Average	71.9%
2y CAGR (2023e - 2025e)		5.1%	5.6%	5.8%	2.7%	Average	4.8%	-0.9%	n.a.	Average	-0.9%	14.1%	Average	38.8%
CAPEX/Sales %		0.7%	2.2%	2.1%	1.9%	Average	1.7%	3.4%	6.7%	Average	4.4%	3.4%	Average	12.0%
Free Cash Flow		1,652.5	962.6	1,719.5	1,084.9	Average	85.5	(26.0)	17.3	Average	367.8	(123.7)	Average	(5.2)
Net financial debt		1,150.3	4,030.1	40.6	154.9	Average	42.2	827.8	29.1	Average	1,470.2	12,243.6	Average	28.6
ND/EBITDA (x)		0.5	1.7	0.0	0.1	Average	0.6	0.2	0.9	Average	2.1	1.2	Average	1.1
Pay-out		39.9%	42.4%	51.2%	44.7%	Average	44.6%	79.6%	150.1%	Average	76.6%	42.3%	Average	54.6%
P/E (x)		10.3	7.9	10.5	10.0	Average	9.7	7.2	n.a.	Average	17.6	13.5	Average	23.5
P/BV (x)		4.2	1.9	1.8	2.8	Average	2.7	1.1	n.a.	Average	0.8	0.5	Average	0.5
EV/Revenues (x)		1.3	1.2	1.6	1.5	Average	1.4	0.9	1.2	Average	0.9	1.1	Average	1.0
EV/EBITDA (x)		8.2	6.6	7.1	8.1	Average	7.5	5.1	7.2	Average	5.9	9.0	Average	9.6
EV/EBIT (x)		8.8	8.0	8.7	9.4	Average	8.7	5.7	13.4	Average	11.5	13.4	Average	13.4
ROE		40.6	24.5	17.0	27.7	Average	27.4	15.9	n.a.	Average	8.6	3.9	Average	2.6
FCF Yield (%)		11.9	10.8	9.4	10.6	Average	10.7	10.5	n.a.	Average	16.5	4.4	Average	4.4
DPS		2.65	0.44	3.17	1.16	Average	1.86	0.40	0.03	Average	0.14	0.27	Average	0.35
Dvd Yield		3.8%	5.3%	4.4%	4.4%	Average	4.5%	11.0%	0.0%	Average	5.4%	3.1%	Average	2.8%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
10-Nov-2023	n.a.	1.40	n.a.	n.a.	9m Results 2023 - Estimates upgrade	Luis Esteban Arribas
01-Aug-2023	n.a.	2.22	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas
12-Jun-2023	n.a.	2.22	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
28-Feb-2023	n.a.	2.45	n.a.	n.a.	12m Results 2022	David López Sánchez
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

