

EQUITY - SPAIN

Sector: Media

Closing price: EUR 1.53 (20 Feb 2024)

Report date: 21 Feb 2024 (13:40h)

12m Results 2023

Independent Equity Research

12m Results 2023

 Opinion⁽¹⁾: In line

 Impact⁽¹⁾: We will maintain our estimates

Luis Esteban Arribas, CESGA – luis.esteban@institutodeanalistas.com

+34 915 904 226

Business description

Squirrel Media (SQRL), is a Spanish group present throughout the value chain of the entertainment and media sector through its businesses of: (i) Advertising (24.8% of revenue), (ii) Content (production and distribution of audiovisual content; 44.2%), (iii) TMT services (7.8%) and (iv) Media (23.1%).

FY23 earnings in line. The strategic shift towards the content business is confirmed

Market Data

Market Cap (Mn EUR and USD)	138.7	150.1
EV (Mn EUR and USD) ⁽²⁾	177.1	191.6
Shares Outstanding (Mn)	90.7	
-12m (Max/Med/Mín EUR)	2.56 / 1.98 / 1.31	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation ⁽³⁾	3.7	
Factset / Bloomberg	SQRL-ES / SQRL SM	
Close fiscal year	31-Dec	

JUMP IN REVENUE, AS EXPECTED, AND (ONCE AGAIN) DRIVEN BY M&A (EUR 131.9MN; +66.7% VS 2022)... The three acquisitions carried out 2023 (Ganga Group, BF Group and MondoTV) accounted for 42% of the increase in revenue for the year, to EUR 131.9Mn (+66.7% vs 2022). Figures were in line with our estimates. The pace of growth accelerated in 2H (2H23 revenues: EUR 81Mn: 62% of FY 2023 revenue), fuelled by the integration of Ganga Group (June 2023; pro forma revenue: EUR 27Mn). The content line in particular took off.

Shareholders Structure (%)

Squirrel Capital	92.6
Free Float	7.4

...TRIGGERING THE TAKE-OFF BY THE CONTENT BUSINESS IN 2023. The targets of the acquisitions led to the strategic shift (initially expected from 2025e) towards content production and expansion of the catalogue of titles (and the company's footprint in LATAM with BF Group). The content emerged as the company's main source of revenue in 2023 (44% of the total in 2023 vs 9% en 2022).

Relative performance (Base 100)


THE NEW REVENUE MIX LED TO IMPROVED MARGINS AND, IN TURN, EBITDA GROWTH (EUR 24.3MN: +76.5% VS. 2022)... The larger share in the revenue mix of the (higher-margin) content business raised the EBITDA margin in 2023 to 18.4% (+1 p.p. vs. 2022). This, coupled with revenue growth, explained the "jump" in recurring EBITDA to EUR 24.3Mn (vs EUR 13.8Mn in 2022). We expect margins to continue expanding over the coming years.

...WITH A FOUR-FOLD INCREASE IN NET PROFIT IN 2023. Lower finance costs (thanks to favourable exchange rate movements) and an income tax refund led to a bottom line for 2023 of EUR 17.6Mn (vs. EUR 4.6Mn in 2022).

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	9.3	0.7	-38.3	-59.7
vs Ibex 35	7.3	-1.3	-43.0	-63.2
vs Ibex Small Cap Index	11.4	1.4	-30.6	-64.0
vs Eurostoxx 50	2.1	-8.2	-44.6	-72.4
vs Sector benchmark ⁽⁴⁾	2.8	-14.0	-50.5	-74.5

LEVERAGE UNDER CONTROL (ND/REC. EBITDA 2023 < 1X). Although SQRL kept up its investment efforts, essentially CAPEX of EUR 21.3Mn (vs EUR 22.8Mn in 2021) aimed at "feeding" the audiovisual content catalogue (long-term growth driver), not to mention inorganic growth, it still managed to reduce net debt in 2023 to EUR 18.5Mn (-21% vs 2022). More compelling is the low level of debt (ND/EBITDA 2023 of 0.8x), leaving the door open to seeking out potential M&A deals.

A GOOD SET OF FY 2023 EARNINGS. WHEN THE NEW RELEASES COME OUT, AS PLANNED, THEY WILL BECOME THE COMPANY'S NEW EQUITY STORY. SQRL seems clearly focused on the (scalable and more profitable) content line, in which it has already spent >EUR 50Mn over the past three years (excluding M&A). This resulted in growth in net profit in 2023 >4x 2022. The company is committed to releasing 105 titles over the 2023-2025e period. In our opinion, this would give rise to total revenue in 2025e of EUR 175Mn and EBITDA of EUR 44Mn. These numbers would leave the company trading now at a 2025e P/E ratio of 7x and a 2025e EV/EBITDA ratio of 4x (vs. averages of 14.1x and 7.8x for its European and US peers, respectively).

(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.

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

Appendix 1. Results Table

EUR Mn	12m23	12m22	12m23 Real	2023e	2023e vs
	Real		vs 12m22		2023
Total Revenues	131.9	79.1	66.7%	126.2	4.5%
Advertising	32.3	36.0	-10.0%	40.7	-20.6%
Content	58.3	7.3	n.a.	43.5	34.2%
TMT Services	10.3	8.8	16.9%	11.1	-6.4%
Media	30.5	26.2	16.4%	31.0	-1.5%
Other income	0.4	0.8	-50.9%	0.0	n.a.
Recurrent EBITDA	24.3	13.8	76.5%	26.1	-7.0%
<i>Rec. EBITDA/Revenues</i>	<i>18.4%</i>	<i>17.4%</i>	<i>1.0 p.p.</i>	<i>20.7%</i>	<i>-0.1 p.p.</i>
EBIT	17.9	8.0	125.5%	18.0	-0.5%
PBT	17.0	6.5	160.0%	15.9	7.2%
NP	17.6	4.6	278.7%	10.0	75.9%
CAPEX	21.3	22.8	-6.4%		
Net Debt	18.5	23.4	-21.0%		

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	138.7	
+ Minority Interests	9.2	12m Results 2023
+ Provisions & Other L/T Liabilities	25.3	12m Results 2023
+ Net financial debt	18.5	12m Results 2023
- Financial Investments	14.7	12m Results 2023
+/- Others		
Enterprise Value (EV)	177.1	

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta
28006 Madrid
T: +34 915 904 226
institutodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@institutodeanalistas.com

Luis Esteban Arribas, CESGA

Equity research

luis.esteban@institutodeanalistas.com

Enrique Andrés Abad, CFA

Equity research

enrique.andres@institutodeanalistas.com

José Miguel Cabrera van Grieken

Equity research

jose.cabrera@institutodeanalistas.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@institutodeanalistas.com

All Lighthouse research documents are available simultaneously on the Lighthouse website (institutodeanalistas.com/lighthouse) and via third-party aggregators such as Bloomberg, Factset, Capital IQ and Refinitiv.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros, a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@institutodeanalistas.com or consult the contents of this Code at <https://institutodeanalistas.com>.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
21-Feb-2024	n.a.	1.53	n.a.	n.a.	12m Results 2023	Luis Esteban Arribas, CESGA
10-Nov-2023	n.a.	1.40	n.a.	n.a.	9m Results 2023 - Estimates upgrade	Luis Esteban Arribas, CESGA
01-Aug-2023	n.a.	2.22	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas, CESGA
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

