

6m Results 2024

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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 (25% of revenue), (ii) Content (production and distribution of audiovisual content; 43%), (iii) TMT services (8%) and (iv) Media (24%).

Market Data

Market Cap (Mn EUR and USD)	143.7	155.3
EV (Mn EUR and USD) ⁽²⁾	185.9	200.8
Shares Outstanding (Mn)	90.7	
-12m (Max/Med/Mín EUR)	2.22 / 1.67 / 1.31	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	6.1	
Factset / Bloomberg	SQRL-ES / SQRL SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Squirrel Capital	90.4
Free Float	9.6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-5.7	10.1	-27.3	-53.4
vs Ibex 35	-7.8	6.6	-37.1	-62.6
vs Ibex Small Cap Index	-6.7	5.9	-31.3	-65.0
vs Eurostoxx 50	-4.6	11.9	-32.9	-66.7
vs Sector benchmark ⁽⁴⁾	-4.2	7.2	-41.4	-70.1

(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.

1H24 earnings: Getting ready for take-off

THE CONTENT LINE IS STILL THE MAIN GROWTH DRIVER (CONSOLIDATED REVENUE 1H24: EUR 57.9Mn; +14.7% VS 1H23)... In 1H24, Content revenue rose 24.5% year-on-year, while Advertising rebounded (+18.9% vs 1H23). This made up for the rest of the business lines (TMT Services and Media), which were practically flat. SQRL continued to opt for inorganic growth, completing three acquisitions in 1H24: Design Thinking Sweden (January 2024), a 51% stake in EVA Films (April 2024) and IKI Group (consolidated as of July 2024). The acquisition prices or revenue of the acquisitions have not been disclosed.

...IMPROVING PROFITABILITY (REC. EBITDA MARGIN: 21.4%; +1.4PP VS 1H23). The larger weight of Content (EBITDA margin of c.44%) in the mix (37.6% of 1H24 revenue vs 34.7% in 1H23) lifted gross margin by 4pp, helping to offset the (sharp) increase in overhead (+40% vs 1H23) caused by M&A integration costs. Recurring EBITDA in the period totalled EUR 12.4Mn (vs EUR 10.1Mn), with growth (+22.8%) outstripping that of revenue (+14.7%).

30% JUMP IN PROFIT BEFORE TAX. Amortisation of audiovisual content is the main item between EBITDA and profit/(loss) before tax. The impact of finance costs is immaterial. Therefore, SQRL continues to maintain a high EBITDA-to-profit before tax conversion rate (>60%).

DESPITE THE EFFORT ON CAPEX AND M&A, NET DEBT REMAINED IN CHECK (ND: EUR 31.2Mn; +30%). SQRL's business model is characterised as being CAPEX-intensive to 'feed' the audiovisual catalogue content (CAPEX 1H24: EUR 7Mn). Then there are the M&A deals carried out in 2024 (three companies). This left net debt at the end of 1H24 of EUR 31.2Mn (vs EUR 24Mn at y/e 2023; implying a ND/recurring EBITDA 2024e ratio of 1.1x). The balance sheet position should enable the company to continue investing in its business (expanding its content catalogue) and seeking further M&A opportunities.

THE INTEGRATION OF IKI WON'T BE VISIBLE UNTIL AFTER 1H24. IKI Group is an independent advertising agency. It reported EUR 93Mn or revenue and EUR 5Mn of EBITDA in 2023 (c. 72% of SQRL's revenue and c. 22% of its EBITDA in 2023). It will be consolidated as of 1 July 2024. This acquisition makes a good strategic fit with SQRL and will give it a real leap in scale, increasing Advertising's weight to a level in line with Content (commitment to release 100 titles over the 2024e-2026e period). At the same time, the IKI acquisition will undermine current profitability levels (recurring EBITDA margin 1H24: 21.4% vs IKI EBITDA margin: 5.4%).

THE NUMBER OF NEW RELEASES COMMITTED, COUPLED WITH IKI'S INTEGRATION, SHOULD BOOST EBITDA 2024E TO C.EUR 28Mn. Visibility is dim at present, but the performance of the Content business (+24.5% vs H123) and the integration of M&A deals carried out will have a significant and positive impact on full-year 2024. The main challenge (and the company's new equity story) will be IKI's integration and optimisation. Our baseline scenario for 2024e points to revenue of c. EUR 201Mn (with M&A accounting for 77% of the total) and EBITDA of c. EUR 28Mn (EBITDA margin 24e: 13.9%). After its Trailing 12-month (TTM) performance (-27.3%; -41.4% vs sector), the numbers put SQRL trading at an EV/EBITDA 2024e multiple of 6.6x and a P/E 2024e ratio of 15.6x (vs 8x and 15.1x, respectively, for its peers).

Appendix 1. Results table

EUR Mn	6m24	6m23	6m24 Real
	Real		vs 6m23
Total Revenues	57.9	50.4	14.7%
Advertising	16.6	14.0	18.9%
Content	21.8	17.5	24.5%
TMT Services	4.4	4.2	2.9%
Media	15.1	14.7	2.5%
Recurrent EBITDA	12.4	10.1	22.8%
<i>Rec. EBITDA/Revenues</i>	<i>21.4%</i>	<i>20.0%</i>	<i>1.4 p.p.</i>
EBITDA	12.6	10.2	23.6%
<i>EBITDA/Revenues</i>	<i>21.7%</i>	<i>20.2%</i>	<i>1.6 p.p.</i>
EBIT	8.7	6.4	34.7%
PBT	8.1	6.2	29.7%
CAPEX	-7.0	-4.1	71.5%
		12M23	
Net Debt	31.2	24.0	30.1%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	143.7	
+ Minority Interests	7.8	6m Results 2024
+ Provisions & Other L/T Liabilities	14.6	6m Results 2024
+ Net financial debt	31.2	6m Results 2024
- Financial Investments	11.5	6m Results 2024
+/- Others		
Enterprise Value (EV)	185.9	

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
31-Jul-2024	n.a.	1.58	n.a.	n.a.	6m Results 2024	Luis Esteban Arribas, CESGA
27-May-2024	n.a.	1.57	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
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

