

EQUITY - SPAIN

Sector: Media

Closing price: EUR 2.40 (27 Feb 2025)

Report date: 28 Feb 2025 (16:10h)

12m Results 2024

Independent Equity Research

12m Results 2024

 Opinion ⁽¹⁾: Below expectations

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

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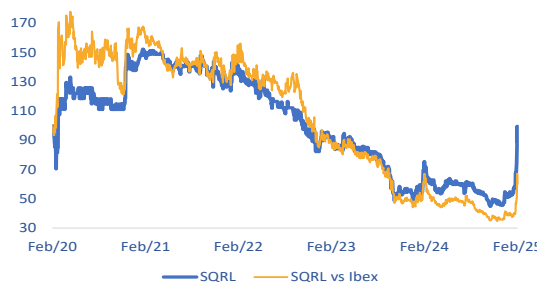
Squirrel Media (SQRL) es un Grupo español con presencia a lo largo de toda la cadena de valor del sector de entretenimiento y medios a través de sus negocios de: (i) Publicidad (52% s/ingresos), (ii) Contenidos (con la producción y distribución de contenidos audiovisuales; 23%), (iii) Servicios TMT (5%) y Medios de Comunicación (20%).

Market Data

Market Cap (Mn EUR and USD)	217.6	226.6
EV (Mn EUR and USD) ⁽²⁾	268.3	279.4
Shares Outstanding (Mn)	90.7	
-12m (Max/Med/Mín EUR)	2.69 / 1.53 / 1.21	
Daily Avg volume (-12m Mn EUR)	0.06	
Rotation ⁽³⁾	6.7	
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	72.7	84.6	17.6	-11.1
vs Ibex 35	56.1	61.1	-10.3	-39.8
vs Ibex Small Cap Index	61.6	59.9	1.0	-36.5
vs Eurostoxx 50	63.7	59.7	5.0	-43.9
vs Sector benchmark ⁽⁴⁾	75.6	83.1	9.7	-47.4

(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.

FY24 earnings: Affected by a lower contribution from Content unit and high capex

CONTENT DIVISION (-41% IN REVENUE) DRAGS DOWN 2024 RESULTS. The Content vertical, initially expected to be the company's primary growth driver, experienced a -41% revenue decline in 2024. This was due to: i) the postponement of agreed productions (series, feature films, and TV contests) to 2025, and ii) the rescheduling of 9 premieres from 2024 to 2025 (32 feature films are now scheduled for release in Spain in 2025, 14 more than in 2024). The TMT Services and Media divisions also saw revenue declines of -29% and -5%, respectively. The Advertising division, the most significant in terms of turnover (52% of total revenue), reported a +129% revenue increase due to the consolidation of the IKI acquisition (EUR 44Mn in revenue for 2024). Excluding this acquisition, organic revenue in the Advertising vertical fell by -7%. Consolidated revenue grew by +11.0% due to the M&A effect (IKI), with negative organic growth across all divisions.

NO IMPROVEMENT IN EBITDA MARGIN/SALES, WEIGHED DOWN BY THE DECLINE IN CONTENT. The division with the highest theoretical margin lost weight in the revenue mix (22.8%; -20 p.p. vs 2023), preventing a significant improvement in the EBITDA margin (15.4%; +0.2 p.p). Recurring EBITDA was EUR 22.0Mn, +12.8% (in line with revenue growth). By division, the Advertising vertical experienced a -2.4 p.p. reduction in its 2024 EBITDA margin to 6.7%, affected by the integration of IKI, while the Content margin rose to 37.2% (+13.1 p.p.).

HIGH CAPEX (EUR 24 MN) COMBINED WITH ACQUISITION DEBT (EUR 11 MN) PUSHES LEVERAGE TO 1.7X NET DEBT/EBITDA (1.2X IN 2023). SQRL's business model is characterized by high CAPEX needs, aimed at "feeding" the audiovisual content catalog (EUR 24Mn CAPEX in 2024, EUR 66 Mn in 2022-2024). This is in addition to the M&A carried out during 2024 (acquisition of 3 companies). This translates into a 2024 Net Debt of EUR 37.3Mn (vs EUR 24Mn in 2023; implying a 2024 Net Debt/Recurring EBITDA ratio of 1.7x at year-end). Additionally, the negative working capital balance increased by EUR 5.5Mn to EUR 17Mn. SQRL estimates that the 2024 pro-forma leverage ratio, including the latest acquisitions, is 1.2x.

RISK PREMIUM INCREASES. The acquisitions announced in recent days (NF Media, Matpro, Pretopay, Tipsterpage, and others of smaller size), whose prices have not been disclosed, a priori imply a risk of dilution and/or non-accretive M&A, in addition to increasing financial leverage. This, combined with the publication of lower-than-expected results in Content, increases the risk associated with the execution of SQRL's business model.

FOLLOWING THE RECENT SHARE PRICE RALLY (+117% YTD IN ABSOLUTE TERMS), SQRL TRADES AT A 2024 EV/EBITDA OF 15.5X. This represents a premium compared to global advertising companies (7.7x 2024 EV/EBITDA), the Spanish Media sector (9.8x), and the global Media sector (6.3x). This makes 2025 a key (and demanding) year in terms of growth and, therefore, the realization of a margin level that supports current multiples. This requires the Content division to return to 2023 revenue levels and to capitalize on the 2024 M&A.

Appendix 1. Results table

EUR Mn	12m24 Real	12m23	12m24 Real vs 12m23
Total Ingresos	143,4	129,2	11,0%
Publicidad	74,2	32,3	129,5%
Contenidos	32,7	55,7	-41,3%
Servicios TMT	7,5	10,6	-29,2%
Medios de Comunicación	29,0	30,5	-5,2%
		0	
EBITDA (Recurrente)	22,0	19,5	12,8%
<i>EBITDA Rec. / Ingresos</i>	<i>15,4%</i>	<i>15,1%</i>	<i>0,2 p.p.</i>
EBITDA	19,0	19,5	-2,6%
<i>EBITDA / Ingresos</i>	<i>13,3%</i>	<i>15,1%</i>	<i>-1,9 p.p.</i>
EBIT	12,3	15,2	-19,6%
BAI	10,8	13,8	-21,7%
BN	8,0	10,3	-22,5%
CAPEX	24,1	21,3	13,1%
Deuda Neta	37,3	24,0	55,4%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	217.6	
+ Minority Interests	12.4	12m Results 2024
+ Provisions & Other L/T Liabilities	15.3	12m Results 2024
+ Net financial debt	37.3	12m Results 2024
- Financial Investments	14.2	12m Results 2024
+/- Others		
Enterprise Value (EV)	268.3	

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
28-Feb-2025	n.a.	2.40	n.a.	n.a.	12m Results 2024	Alfredo Echevarría Otegui
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

