CHECKPOINT

Lleida.net

BUY

Winds of growth blowing across all business lines

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Lleida.Net has reported another strong set of results in 2Q18 with profits before tax of €181k vs. -€137k, driven by a continued positive sales momentum and cost containment. Cash Ebitda rose 10-fold during 2Q18 to €364k compared to the same quarter last year, further evidence that past investments are now yielding the desired results.

All three business lines together reported positive quarterly growth of +28% to €3.1 million, the strongest again being ICX with a 45% increase and SaaS closely behind with 32%. Gross profits increased by 15% in 2Q18 because when volumes sold grow; price reductions follow across the product portfolio.

The strong rate of sales growth is explained by an ICX aggressive volume growth strategy combined with a SaaS division that benefits from the additional client demands in the context the new regulatory and compliance environment stemming from GRPD, eIDAS and MiFID II.

Net debt fell €277k this quarter to €1,99 million from €2.26 million in 1Q18, a reflection of the operating strength of Lleida.net.

We have revised up our EPS forecasts for 2018 and 2019 to €0.04 (vs. €0.03) and €0.10 (vs. € 0.08) respectively, on the back of better operating costs expectations.

We are also raising our 12-month target price to €1.53 per share, providing a new 33% upside. Part of the increase in our valuation revision has been driven by a lowering of our WACC to 9.2%, something we feel is justified given the free-cash flow generation and lower risk profile of Lleida.net.

Equities

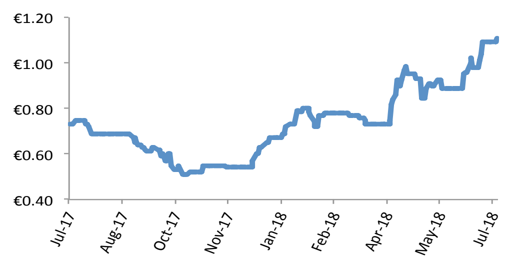
Spain
Telecom/Software Services

Price (4 pm 16/7/18): €1.15
RIC: LLN.MC

Trading Data

52 week range (€):	0.51 - 1.15
Mkt Cap (€ millions):	18,46
No. Shares (millions):	16.04
Avg Daily vol (€ LTM):	10,126

Share Price Chart (LTM)



(€ millions)	2017a	2018f	2019f	2020f
Turnover	9,9	12.8	14.2	16.2
Ebitda	**0.6**	**1.3**	**2.0**	**2.3**
Net Profit	0.0	0.6	1.6	1.7
EPS	**0.00**	**0.04**	**0.10**	**0.10**
Net Debt	**2.4**	**1.5**	**-0.1**	**-1.3**
EV/Ebitda	**35.5**	**15.5**	**9.0**	**7.5**
P/E	382.7	30.9	11.8	11.2
FCY	2%	6%	10%	10%

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The 2018 DocuSign IPO provides better visibility on Lleida.net equity story

Lleida.net is a play on the digitalization of the economy whose main value proposition rests on providing the legal security companies require in on-line transactions, especially when dealing with large number of consumers. In other words, it is a play on the Digital Transaction Market with **an emphasis on contract/notification delivery** (certificated email messaging and certificated SMS) and **ID validation**.

Legal security means, in this case, that companies are able to shift the burden of proof, in case of dispute, over to the consumer at a minimal cost. Without Lleida.net as a Digital Witness, companies would incur in timely and expensive processes to proof to any authority that a contract or notification was exchanged at a particular time, with a particular content, etc.

Lleida.net excels in those countries around the world where the legal system requires a high burden of proof in any legal dispute. Lleida.net plays into its strengths (both legal and operating) of being a telecom operator and thus is treated as a Trusted Third Party in almost every legal jurisdiction.

DocuSign instead is a software play on the Digital Transaction Market primarily **focused on the Agreement Phase** through its digital signature software. This means that DocuSign´s software goes into guaranteeing the identity of the signatory of a particular on-line document, but stops sort of proving anything else.

Although both companies operate in the same growing ecosystem, they are now more complementary than direct competitors. We feel that Lleida.net is unlikely to find any competitive pressures from DocuSign, despite the fact it is a company 50x larger in terms of sales and has received 160x more capital over time, compared to Lleida.net.

Last May, DocuSign raised on a Nasdaq IPO some $440 million at $29 per share (and placed a further $155 million of secondary) to fund the next stage of its development. The stock is currently trading (13/7/18) on $55.33 per share, a 90% uplift from IPO. By comparison, Lleida.Net had its IPO in 2015 when it raised €5 million on the Spanish alternative market MAB at €1.18 per share, not far from where is trading at present.

From a long-term growth perspective, and despite the size, they are not two dissimilar companies.

1. Relative to capital invested, both companies have yielded similar operational results (we use gross profits and Ebitda as a better guide to top line performance):

- DocuSign attracted some $577 million (before IPO) in investor capital to build the business it has today. 2018 reported gross profits (YE January) of $400 million were 43% higher that the revenue reported in 2017 and 127% larger that of 2016.
- Lleida.net has raised €5.5 million over its 20-year history (last raise in 2015). In 2017 the company reported a gross profit of €5.2 million (a proxy for sales at DocuSign), a 26% increase compared to 2016 and a 73% increase versus 2015. If we only take Lleida.Net reported SaaS divisional sales, it has risen 28% in 2017 and 140% compared to 2015.

This means that DocuSign has needed 1.5x the capital invested to generate $1 in gross profits, whereas Lleida.net has required little over 1x of capital to generate €1 of gross profits. This is evidence that despite the size, **Lleida.net has been more efficient in the use of capital since both companies were founded**.

On the Ebitda front, both companies reported negative margins up until the 2016 reported year-end, and now in 2017 both have announced positive Ebitda figures. DocuSign came with $8.7 million during 2017/18, equivalent to an Ebitda margin of 1.7%, whilst Lleida.Net reported €0.6 million, a better margin of 6%. **This is again evidence, that relative to the capital invested Lleida.net runs a more profitable operation than DocuSign.**

2. Despite similar growth profiles the market is valuing both companies very differently.

- With a 90% share price increase since IPO DocuSign is now worth over $8 billion, placing them on a 2017/18 **EV/Sales multiple of 17x**. DocuSign historical investors have now obtained a weighted average annual return of 52% for the $577 million raised over last 15 years.
- Based on the recent rise in the value of Lleida.Net shares to the current market cap of €18 million, its investors (on a weighted basis by each financing round) have received a compounded annual return of 25%. However, if we were to apply the same EV/Sales valuation metrics as DocuSign (only for Lleida.Net SaaS division) the returns would be in the 53% mark.

DocuSign estimates the total addressable market for Digital Signatures and the like to be somewhere around $25 billion globally, paving the way for continued strong growth for both companies (each in their own scale).

Review of consolidated 2Q18 results: Software Services sales growth rate accelerates

2Q18 results is yet another quarter of quality growth, with the higher margin Software Services business advancing some 32% in terms of sales. The increased demand for notifications related the implementation of GRPD across Europe is partly behind the acceleration seen in this quarter.

The traditional two SMS businesses of Lleida.net continue to grow as well, partly because the consolidation across European markets has allowed them to take advantage of other companies´ faltering focus during their merger processes.

As seen again in this 2Q18 results, Lleida.Net has become particularly competitive in the wholesale market (ICX), largely based on the software systems developed in-house. Taking into account the whole of the first half, the company has reported an average growth of 69% in sales, compared to an already strong 42% growth for the entire 2017. It’s the most scalable division of Lleida.Net allowing for the strengthening of the overall return on capital of the business.

Instead, the lower growth final-client oriented SMS Solutions division managed to grow by 1%. Although modest, its been better than expected given when we were looking for sales declines for most of the year. Our previous forecasts for the whole of 2018 was looking for a decline in revenues of 13%, given the lesser commercial emphasis by Lleida.net in this area.

Gross Profit growth slowed slightly to +15% during 2Q18 to nearly €1.5 million, largely because the higher volumes of sales drove client specific discounts higher. In addition, some of the implementation costs associated to the new GRPD related solutions placed some pressure on the gross margin as well.

The most positive surprise of the quarter is found on the cost side. The combined cash operating costs of Lleida.net during 2Q18 were €1.1 million, which were 11% lower than in 2Q17. Remarkable achievement when sales growth is actually accelerating and it’s based mostly on cost efficiency rationalizations, specially related to its business development and commercialization efforts.

The main result of this kind of revenue growth combined with the reported drop in operating costs has been a 10-fold increase in the cash Ebitda to €344k, whose margin is now in 2Q18 some 12%.

Profit before tax was in 2Q18 was reported at €181k vs. (€137k) in 2Q17 consolidating the trend of reporting a positive profit figure. Between accumulated losses and R&D credits there is a €4 million tax credit still to be matched against future profits, so we do not envisage any corporate tax to be paid in 2018 or 2019.

(€ 000´)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	y-o-y (%)	
Software Services	694	608	707	649	819	803	18	32
SMS Solutions	711	769	649	699	647	779	-9	1
ICX	838	1.072	1.126	1.353	1.675	1.558	100	45
Turnover	**2.243**	**2.449**	**2.482**	**2.701**	**3.141**	**3.140**	**40**	**28**
Cost of sales	-938	-1.177	-1.236	-1.328	-1.597	-1.676	70	42
Gross Profit	**1.305**	**1.272**	**1.246**	**1.373**	**1.544**	**1.464**	**18**	**15**
Gross Margin	*58%*	*52%*	*50%*	*51%*	*49%*	*47%*		
Capitalized costs (R&D)*	184	203	222	240	166	162	-10	-20
Personnel Expenses	-667	-606	-618	-647	-647	-645	-3	6
Other SG&A	-564	-635	-403	-561	-673	-459	19	-28
Depreciation	-251	-271	-273	-283	-290	-283	16	4
Other	5	2	2	11	0	4	-100	100
Total Operating Costs	**-1.477**	**-1.510**	**-1.292**	**-1.480**	**-1.610**	**-1.383**	**9**	**-8**
Operating Income	**12**	**-35**	**176**	**133**	**100**	**243**	**733**	**-794**
Operating Margin	1%	-1%	7%	5%	3%	8%		
Ebitda**	**79**	**33**	**227**	**176**	**224**	**364**	**184**	**1.003**
Ebitda Margin	4%	1%	9%	7%	7%	12%		
Extraordinaries	0	-12	-21	0	0	0	n.m.	n.m.
Financial Costs	-36	-14	-35	-18	-22	-31	-39	121
FX	0	-76	24	-33	17	-31	n.m.	n.m.
Non-op. Results	**-36**	**-102**	**-32**	**-51**	**-5**	**-62**	-86	-39
Profit Before Tax	**-24**	**-137**	**144**	**82**	**95**	**181**	**-496**	**-232**
Cash Flow	**38**	**5**	**169**	**147**	**202**	**329**	**432**	**6.480**

* *Excluded from Ebitda calculation*
*** Ebitda with no exceptional items and no R&D capitalization*
Source: Lleida.Net, Checkpoint Partners

Earnings revision

We have revised up our EPS and Net Profit estimates for 2018 and 2019 and introduced for the first time our forecasts for 2020.

The new EPS estimates for 2018 and 2019 are €0.04 (vs. €0.03) and €0.10 (€0.08) respectively, corresponding to new Net Profit estimates of €597k (€526k) and €1.6 million (€1.2 million). The new EPS and Net Profit estimate for 2020 is €0.10 and €1.7 million respectively.

We have maintained our Revenue forecasts intact with the Gross Profit growing by approximately €1 million each year. The main difference in our 2018 and 2019 forecasts is the mix in the growth components relative to our prior estimates.

We started the year with an aggressive +58% growth in the Software Services area, which we now reduce to a still strong +31% growth in 2018. The main reason has been the trend growth seen so far in the first half (+25%) given that some of the large contract the company expected are now most likely to start kicking in during the second half of the year.

Alternatively, we have revised up our sales forecasts for both SMS divisions. Based on a better than expected start of 2018 for ICX, with +69% growth during the 1H18, we are now estimating a +46% increase in sales for the year to €6.4 million. We were going for +15% in our earlier forecasts, which has now proven to be too conservative.

With regards to SMS solutions, we were forecasting a 13% decline in sales and we now think Lleida.Net can finish the year in +3% growth to €2.9 million. The business development and commercial teams were somewhat conservative in their expectations for 2018 given the competitive market environment and their own increased internal focused on Software Solutions sales. However, the client base has responded better than expected during 1H18 and given the operating weakness in 2H17 Lleida.net has a fighting chance in beating last years numbers if they continue like in 1H18.

The cost side of the Profit and Loss account is a source of good news for our new Net Profit estimates. We are basically reducing the cost base by around €100k relative to our prior estimates, on the back of a more diligent management of commercial and business development costs.

We have also reduced our prior €0.3 million estimated corporate tax for 2019, on tax credits from past losses still outstanding. We have taken the €0.3 million and we have place it in 2020, which means that the Net Profit is unlikely to grow that year because of it.

Profit and Loss (consolidated)

(€ millions)	2017	2018f	2019f	2020f
Sales by division				
Software Services	2,7	3,5	4,3	5,1
SMS Solutions	2,8	2,9	2,8	3,0
ICX	4,4	6,4	7,1	8,1
Sales by division (%)				
Software Services	27%	27%	30%	31%
SMS Solutions	29%	23%	20%	19%
ICX	44%	50%	50%	50%
Turnover	**9,9**	**12,8**	**14,2**	**16,2**
Cost of sales	-4,7	-6,6	-7,0	-8,0
Gross Profit*	**5,2**	**6,2**	**7,2**	**8,1**
% y-o-y growth	25%	20%	16%	13%
Gross Margin	52%	48%	51%	50%
Capitalized costs (R&D)*	0,8	0,6	0,6	0,6
Personnel Expenses	-2,5	-2,7	-2,9	-3,2
Other SG&A	-2,1	-2,2	-2,3	-2,7
Depreciation	-1,1	-1,2	-0,9	-0,9
Total Operating Costs	**-5,7**	**-6,1**	**-6,1**	**-6,7**
% y-o-y growth	*9*	*8*	*1*	*9*
Operating Income	**0,4**	**0,7**	**1,7**	**2,1**
Operating Margin	*4%*	*5%*	*12%*	*13%*
Ebitda	**1,4**	**1,9**	**2,6**	**2,9**
Ebitda Margin	15%	15%	19%	18%
Ebitda (ex-capitalizations)	**0,6**	**1,3**	**2,0**	**2,3**
Ebitda Margin	*6%*	*10%*	*14%*	*14%*
Financial Income	0,0	0,0	0,0	0,0
Financial Costs	-0,1	-0,1	-0,1	-0,1
FX and Other	-0,2	0,0	0,0	0,0
Financial Results	**-0,3**	**-0,1**	**-0,1**	**-0,1**
Profit Before Tax	**0,0**	**0,6**	**1,6**	**1,9**
Tax	0,0	0,0	0,0	-0,3
Net Income	**0,0**	**0,6**	**1,6**	**1,7**
Cash Flow	**0,3**	**1,2**	**1,9**	**1,9**

Source: Lleida.net and Checkpoint Partners

Balance Sheet (consolidated)

(€ millions)	2017	2018f	2019f	2019f
Fixed Assets	**4,1**	**3,6**	**3,2**	**3,3**
Intangible Assets	3,5	2,9	2,5	2,5
Tangible Assets	0,5	0,5	0,5	0,5
Investments in Group Companies	0,0	0,0	0,0	0,0
Other Investments	0,0	0,0	0,0	0,0
Deferred Assets	0,1	0,1	0,2	0,2
Current Assets	**5,2**	**5,8**	**6,5**	**8,0**
Inventory	0,0	0,0	0,0	0,0
Debtors	2,6	3,1	3,6	4,2
Short Term Investments	0,9	0,9	0,9	1,0
Short Term Accruals	0,2	0,2	0,3	0,3
Cash	1,6	1,6	1,7	2,6
Assets	**9,4**	**9,4**	**9,6**	**11,2**
Shareholders' Funds	**2,9**	**3,5**	**5,1**	**6,7**
Capital	0,3	0,3	0,3	0,3
Share Premium	5,2	5,2	5,2	5,2
Reserves	-1,9	-1,8	-1,2	0,4
Repurchase of share capital	-0,9	-0,9	-0,9	-0,9
Profit and Loss account	0,1	0,6	1,6	1,7
Long Term Debt	**1,2**	**1,2**	**0,6**	**0,3**
Current Liabilities	**5,3**	**4,7**	**4,0**	**4,2**
Short Term Debt	3,7	2,9	1,9	1,9
Provisions	0,2	0,2	0,2	0,2
Creditors	1,5	1,7	1,9	2,1
Liabilities	**9,4**	**9,4**	**9,6**	**11,2**
(€ millions)				
Working Capital	1,1	1,4	1,7	2,0
Debtor Turnover (days)	89	81	86	88
Creditor Turnover (days)	58	51	54	53
Financial Debt	4,8	4,0	2,5	2,2
Cash	2,4	2,5	2,6	3,6
Net Debt	**2,4**	**1,5**	**-0,1**	**-1,3**

Source: Lleida.net and Checkpoint Partners

Sum of the parts valuation

Sector	Division	DCF (€)	Year	Target EV/Sales	Target EV/Ebitda
Software	Saas	15,7	2018	4,5	37,9
			2019	3,6	16,1
Telecom	SMS	2,7	2018	0,9	10,3
			2019	1,0	9,9
	ICX	8,0	2018	1,2	13,2
			2019	1,1	10,4
	Sum of Parts	26,5	2018	2,1	20,5
			2019	1,9	13,0
	Net Debt	1,9			
	Equity Valuation	24,6			
	Per shr	1,53			
	Share Price	1,15			
	Upside	33%			

Source: Checkpoint Partners

We have calculated the sum of the parts valuation, which helps understand the overall value as made up of the divisions of the company. The more revealing aspect of the valuation is the software side of the business, given that in our view it makes up for 60% of the value of the company whilst it represents some 30% of its sales.

The software side of the business grows more rapidly and delivers higher margins, which means that are far more valuable than the headline sales numbers suggest. Based on a business that is growing at 30% at present with 85% gross margins (and assuming that 70% of the operating costs of the business are attributed to the software side) we arrive at a valuation of 3,6x sales 2019 expected sales. The more traditional telecom business is valued at 1,0 and 1.1x sales respectively.

To arrive at our sum of the parts valuation of €24,6 million we have assumed Lleida.net has the potential to deliver a 15% Ebitda margin in the context of a long term average growth in sales of 7%. We have used a WACC of 9.2%.

Comparable Valuations

	Price (13/7/18) (€)	Mkt Cap. (€ m)	Net Debt 2017 (€ m)	Net Debt 2018e (€ m)	Net Debt 2019e (€ m)	EV 2017e (€ m)	EV 2018e (€ m)	EV 2019e (€ m)
Altia	15,60	107,3	-16,4	-20,5	-24,9	90,9	86,8	82,4
Catenon	0,72	13,5	3,7	4,2	4,7	17,2	17,7	18,2
Commcenter	1,20	7,9	8,6	8,5	8,1	16,5	16,4	16,0
Eurona	0,87	36,7	91,8	128,5	145,4	128,5	165,1	182,1
FacePhi	1,12	14,9	2,1	2,9	4,3	16,9	17,8	19,2
Gigas	5,75	24,6	1,8	2,3	2,0	26,4	26,9	26,6
Lleida.Net	1,11	17,8	2,4	1,5	-0,1	20,2	19,3	17,7
Voz Telecom	1,94	8,7	2,4	3,3	3,9	11,1	12,0	12,6
Total		**231,4**	**96,4**	**130,6**	**143,5**	**327,8**	**362,0**	**374,9**

Mock Portfolio	Shares (#)	Price (01/01/18) (€)	Cost (€)	Price (13/07/18) (€)	Valuation (€)	Diff. (€)	Return (%)
Altia	61	16,39	1.000	15,60	952	-48	**-5**
Catenon	1.613	0,62	1.000	0,73	1.174	174	**17**
Commcenter	758	1,32	1.000	1,20	909	-91	**-9**
Eurona	474	2,11	1.000	0,83	393	-607	**-61**
FacePhi	917	1,09	1.000	1,12	1.028	28	**3**
Gigas	287	3,48	1.000	5,75	1.652	652	**65**
Lleida.Net	1.493	0,67	1.000	1,11	1.657	657	**66**
Voz Telecom	513	1,95	1.000	1,94	995	-5	**-1**
Total			**8.000**		**8.760**	**760**	**9**

Source: MAB, Checkpoint Partners

Lleida.Net shares have appreciated some 66% since the beginning of the year, becoming now the best performance amongst its MAB peers.

Relative to its peers, comparisons are not easy since Lleida.net given the mix of profit and loss making companies. However, we do expect Lleida.net to have the strongest sales growth figure of 30% compared to an average of 4% for the sector (weighted down by the poor performance of Eurona).

In terms of Ebitda growth in 2018, we also expect Lleida.net to come ahead with a 119% increase compared to an average of -81%, again largely distorted by Eurona´s expected poor performance.

	Turnover			Ebitda			Net Profit			Cash Flow		
	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)
Altia	64,7	67,3	70,0	8,9	10,3	11,1	6,1	7,5	8,1	7,0	8,5	9,1
Catenon	13,3	13,5	14,6	1,4	1,2	1,1	0,0	-0,2	-0,3	0,8	0,7	0,7
Commcenter	48,8	50,8	52,8	2,2	0,0	0,0	0,0	-1,9	-1,9	1,9	0,1	0,2
Eurona	118,8	120,0	121,2	-4,3	-12,3	5,3	-28,1	-37,7	-17,7	-13,1	-21,8	-2,6
FacePhi	2,7	3,2	3,6	0,5	0,6	0,8	0,4	0,5	0,7	0,3	0,5	0,6
Gigas	5,9	7,3	8,4	0,4	0,6	1,3	-0,5	-0,4	0,2	0,4	0,5	1,1
Lleida.Net	9,9	12,8	14,2	0,6	1,3	2,0	0,0	0,6	1,6	0,3	1,2	1,9
Voz Telecom	9,7	10,4	11,1	-0,3	0,1	0,2	-1,6	-0,9	-0,6	-0,5	-0,1	0,0
	273,8	**285,2**	**295,9**	**9,5**	**1,8**	**21,9**	**-23,7**	**-32,4**	**-9,9**	**-3,0**	**-10,5**	**10,9**

	Turnover growth			Ebitda growth			Net Profit growth			Cash Flow Growth		
	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)	(€ m)
Altia	-3%	4%	4%	-4%	16%	7%	-3%	22%	8%	-4%	20%	7%
Catenon	-6%	2%	8%	-	-12%	-5%	-99%	368%	32%	-	-8%	-5%
Commcenter	-13%	4%	4%	-	-	-	-	-	0%	-	-94%	67%
Eurona	-26%	1%	1%	-	187%	-	135%	34%	-53%	14573%	67%	-88%
FacePhi	35%	17%	14%	-	26%	24%	-	49%	25%	-	59%	28%
Gigas	23%	23%	15%	-	46%	125%	-36%	-27%	-	-	35%	124%
Lleida.Net	30%	30%	11%	#DIV/0!	119%	58%	0%	1138%	163%	-	329%	61%
Voz Telecom	4%	7%	7%	-	-	220%	82%	-42%	-32%	-	-86%	-
	5%	**4%**	**4%**	**-4%**	**-81%**	**1147%**	**88%**	**37%**	**-69%**	**-217%**	**257%**	**-204%**

	EV/sales			EV/Ebitda			P/E			FCY		
	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)
Altia	1,4	1,3	1,2	10,2	8,4	7,4	17,5	14,3	13,3	7%	8%	8%
Catenon	1,3	1,3	1,2	12,6	14,7	16,0	-	-	-	6%	5%	5%
Commcenter	0,3	0,3	0,3	7,4	-431	371,6	417,2	-	-	24%	1%	2%
Eurona	1,1	1,4	1,5	-30,0	-13,4	34,0	-	-	-	-36%	-60%	-7%
FacePhi	6,3	5,6	5,3	34,1	28,4	24,7	40,7	27,3	21,8	2%	3%	4%
Gigas	4,4	3,7	3,2	65,1	45,3	19,9	-	-	121,5	1%	2%	4%
Lleida.Net	2,0	1,5	1,2	35,5	15,5	9,0	382,7	30,9	11,8	2%	7%	11%
Voz Telecom	1,1	1,2	1,1	-	219,1	72,0	-	-	-	-6%	-1%	0%
	1,2	**1,3**	**1,3**	**34,6**	**205,8**	**17,1**	**-**	**-7,1**	**-23,3**	**-1%**	**-5%**	**5%**

Source: Checkpoint Partners

Checkpoint Recommendation System

The Checkpoint Recommendation System is based on absolute returns, measured by the upside potential (including dividends and capital reimbursement) over a 12-month time horizon.

Checkpoint recommendations (or ratings) for each stock comprises 3 categories: Buy (B), Neutral (N) and Sell (S).

- **Buy:** the stock is expected to generate total return of over 20% during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of -20% to +20% during the next 12 months time
- **Sell:** the stock is expected to generate total return under -20% during the next 12 months time horizon.

Our rating system applies to companies with market capitalizations of below €50 million that in most cases refer to stocks that are illiquid and more volatile than its larger sized peers.

History of recommendations

Date	Recommen.	Price (€)	Target P.(€)	Period	Analyst
27.10.2016	BUY	0,71	0,95	12 months	Guillermo Serrano
16.01.2017	BUY	0,62	1,05	12 months	Guillermo Serrano
28.04.2017	BUY	0,66	1,25	12 months	Guillermo Serrano
20.07.2017	BUY	0,75	1,25	12 months	Guillermo Serrano
26.10.2017	BUY	0,52	1,13	12 months	Guillermo Serrano
31.01.2018	BUY	0,80	1,13	12 months	Guillermo Serrano
16.03.2018	BUY	0,84	1,13	12 months	Guillermo Serrano
17.03.2018	BUY	1.11	1.53	12 months	Guillermo Serrano

Checkpoint does and seeks to do business with companies covered in its research reports. As a result, investors may take the view this could affect the objectivity of the report and therefore should consider this report as only a single factor in making their investment decision.

Frequency of analyst reports

At present Checkpoint has committed to a quarterly update of Lleida.net financial and operational performance.

Investment horizon

Our reports focus mainly on small capitalization and illiquid stocks where standard Venture Capital investment criteria should apply. An investment into sub €50 million market capitalization stock should be done on a 3-5 year time horizon in order to realized the full potential of the investment opportunity.

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