

Lleida.net

BUY

Despite the hits, the company keeps moving forward

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7am, 10th May 2023*

lleida.net has reported 1Q23 profits before tax of negative €276k compared with -€115k last year, mainly on the back of non-cash items. The reported Ebitda (cash) of €150k did actually rise by 30% vs 1Q22.

This time, the non-cash items such as a lower capitalization of R&D costs, some provisions related to clients and FX costs pushed the profit before tax into negative territory.

The first quarter tends to be the weaker one of the year, so it is important not to draw too many conclusions. On the sales front, it tends to be seasonally weak following a normally strong 4Q and on the cost side, numbers tend to be inflated by the expenses associated with the Barcelona WMC.

The 3 software divisions (contracting, notification and other SaaS) together reported a 6% increase in sales. The increase would have been larger if it was not for the financial troubles of 472 (Colombia). On the other hand, the 2 SMS divisions reported a drop of 21% in sales, to deliver a combined 10% decline.

The Gross Profit number (more important than the sales figure) came in at €2.8 million (+6%), given that the higher margin SaaS business remains the locomotive of growth versus the lower margin SMS business.

Despite the headwinds, the fundamentals in the higher value software divisions remain strong (save for the Colombia situation).

We maintain our BUY recommendation unchanged and our target price of €5 per share.

Equities

BME Growth Technology

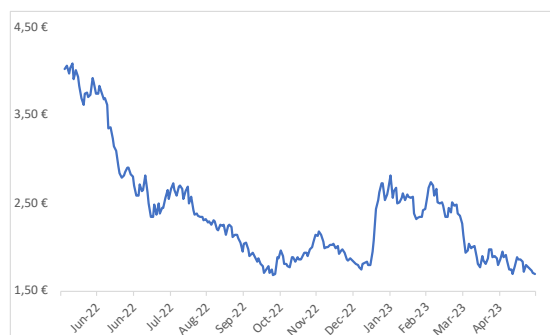
Price (4pm 9/5/23): €1,645

RIC: LLN.MC

Target Price (12-18 m): €5.00

52-Wk range (€):	4.10 - 1.68
Cap. Bur. (€ millones):	26,4
No. Shares (millions):	16,05
Avg. daily Vol. (€12m):	107k
Daily volatility (avg. LTM):	4.1%

Price Chart (12 months)



(€ millions)	2021	2022	2023e	2024e
Turnover	18,0	20,7	23,0	25,7
Ebitda	1,6	0,8	2,4	3,0
Net Profit	0,9	-0,3	1,1	1,5
EPS	0,05	-0,02	0,07	0,09
Net Debt	7,3	8,6	7,1	6,2
EV/Ebitda	21,5	42,4	14,2	11,5
P/E	30,2	-84,1	24,1	17,4
CFY	5%	2%	8%	9%

Software profits up, but with an SMS quarter to forget

lleida.net has been challenged by a particularly weak SMS performance, an area of the business that operates in an increasingly commoditized sector and often subject to outside influences. The company has a high quality/low cost proposition in the market place, but still large operators (on the ICX side) have put pressure on margins by raising termination fees in almost any international jurisdiction (following the hit on roaming charges during covid).

Despite having contributed some 60% of sales in 2022, the SMS divisions make up an estimated 30% of Gross Profits. This lower contribution explains why, despite a 21% decline in sales during 1Q23, the overall Gross Profit actually rose by 6%.

On the Software side, we can only attribute as a stroke of bad luck that their most important Latin American client, 472 (Colombian Post), defaulted (non-payment).

The SaaS contract was then rescinded (by the client), as the company reported back in March. The problem originated by the financial troubles 472 is still under, mixed with dose of political issues (recent change of government in Colombia, 472 being a Public Sector company). Client turnover is part of business, but this time 472 was an unusually large loss.

The takeaway message on the revenue side is that despite two major adverse events, the Gross Profits still managed to increase relative to 1Q23. It is a demonstration of the resilience of lleida.net business and the benefits from increased operational and geographic diversification (partly following the InDenova acquisition and partly through organic growth efforts).

On the costs side, and following a weaker than expected 4Q22, the company has focused on costs and productivity to improve on shareholders returns. The overall cash costs (employee and external services together) have risen by 5.7% in 1Q23 and we expect the trend of cost containment to continue in 2023.

We are maintaining our forecasts for 2023 unchanged following 1Q23 results, as stated the 1Q23 is normally seasonally weak and there is still plenty of room for recovery in the months ahead. The stock has been under pressure, but we remain positive in the medium and long term.

Profit and Loss account by Quarter: 2021 and 2022

(€ 000')	1Q22	2Q22	3Q22	4Q22	%				1Q23	
<i>Contracting</i>	762	842	784	611	19	-1	-4	-33	766	1
<i>Notification</i>	627	498	642	701	2	23	24	-15	506	-19
<i>Other SaaS</i>	754	696	576	1089	129	140	134	8	989	31
Software Services	2.143	2.036	2.002	2.401	36	32	27	-12	2.261	6
SMS Solutions	1.061	902	834	838	54	36	24	22	797	-25
ICX	2.013	2.381	2.341	1.721	17	14	14	-12	1.633	-19
Turnover	5.217	5.319	5.178	4.960	31	23	21	-8	4.691	-10
Cost of sales	-2.602	-2.629	-2.632	-2.031	31	26	18	-12	-1.907	-27
Gross Profit	2.615	2.690	2.546	2.929	31	21	23	-5	2.784	6
<i>Gross Margin</i>	<i>50%</i>	<i>51%</i>	<i>49%</i>	<i>59%</i>					<i>59%</i>	
Capitalized R&D	269	336	292	259	39	62	76	23	239	-11
Personnel Expenses	-1.533	-1.643	-1.564	-1.612	51	81	38	33	-1.667	9
Other SG&A	-975	-868	-682	-1.144	72	-10	0	-17	-983	1
Depreciation	-518	-508	-516	-531	95	87	86	20	-526	2
	0	0	0	0					-24	-
Other	8	11	16	26	167	-61	-41	-54	16	100
Operating Costs	-3.018	-3.008	-2.746	-3.261	64	42	33	10	-3.184	6
Operating Income	-134	18	92	-73	-138	-94	-43	-123	-161	20
<i>Operating Margin</i>	<i>-3%</i>	<i>0%</i>	<i>2%</i>	<i>-1%</i>					<i>-3%</i>	
Ebitda*	376	515	592	432	-39	-6	44	-43	389	3
<i>Ebitda Margin</i>	<i>7%</i>	<i>10%</i>	<i>11%</i>	<i>9%</i>					<i>8%</i>	
Ebitda (Cash)*	115	190	316	199	-73	-44	29	-60	150	30
<i>Ebitda Margin</i>	<i>2%</i>	<i>4%</i>	<i>6%</i>	<i>4%</i>					<i>3%</i>	
Extraordinaries	0	13	0	0					0	
Financial Costs (net)	19	-24	17	-227					-115	
Profit Before Tax	-115	-6	109	-300					-276	140
Cash Flow	61	155	241	144	-85	-50	2	-68	109	79

Source: LLN, Checkpoint partners

Profit and Loss account 2021-2024e

(€ millions)	2021	2022e	2023e	2024e
Sales by division				
Software Services	7,4	8,6	10,1	11,8
SMS Solutions	2,7	3,6	3,8	3,9
ICX	7,8	8,5	9,1	10,0
Turnover and other income	18,0	20,7	23,0	25,7
Cost of sales	-8,6	-9,9	-10,3	-11,6
Gross Profit	9,4	10,8	12,7	14,1
<i>% y-o-y growth</i>	15%	15%	17%	11%
<i>Gross Margin</i>	52%	52%	55%	55%
Capitalized costs (R&D)	0,8	1,2	1,2	1,2
Personnel Expenses	-4,4	-6,3	-6,6	-7,1
Other SG&A	-3,4	-3,7	-3,7	-4,0
Depreciation	-1,3	-2,1	-2,1	-2,1
Total Operating Costs	-9,1	-12,1	-12,4	-13,3
<i>% y-o-y growth</i>	22	34	2	7
Operating Income	1,1	-0,1	1,5	2,1
<i>Operating Margin</i>	6%	0%	7%	8%
Ebitda	2,4	2,0	3,6	4,2
<i>Ebitda Margin</i>	13%	10%	16%	16%
Ebitda (ex-capitalizations)	1,6	0,8	2,4	3,0
<i>Ebitda Margin</i>	9%	4%	11%	12%
Financial Income	0,0	0,0	0,0	0,0
Financial Costs	-0,1	-0,2	-0,3	-0,2
FX and Other	0,0	0,0	0,0	0,0
Financial Results	-0,1	-0,2	-0,3	-0,2
Profit Before Tax	1,0	-0,3	1,2	1,9
Tax	-0,2	0,0	-0,1	-0,4
Net Income	0,9	-0,3	1,1	1,5
Cash Flow	1,4	0,6	2,0	2,5

Source: LLN, Checkpoint partners

Balance Sheet 2021-2024e

(€ millions)	2021	2022e	2023e	2024e
Fixed Assets	12,0	11,7	11,2	11,5
Intangible Assets	11,0	10,7	10,2	10,5
Tangible Assets	0,6	0,6	0,7	0,7
Investments in Group Companies	0,0	0,0	0,0	0,0
Other Investments	0,1	0,1	0,1	0,1
Deferred Assets	0,3	0,3	0,3	0,3
Current Assets	11,5	9,0	10,1	10,7
Debtors	5,2	6,1	6,5	6,9
Short Term Investments	0,8	0,8	0,9	0,9
Short Term Accruals	0,4	0,4	0,4	0,4
Cash	5,1	1,6	2,3	2,5
Assets	23,5	20,7	21,3	22,2
Shareholders' Funds	6,7	5,9	7,0	8,6
<i>Capital</i>	0,3	0,3	0,3	0,3
<i>Share Premium</i>	5,2	5,2	5,2	5,2
<i>Reserves</i>	1,9	2,8	2,1	3,1
<i>Repurchase of share capital</i>	-1,7	-1,7	-1,7	-1,7
<i>Profit and Loss account</i>	0,9	-0,3	1,1	1,5
Long Term Debt	8,6	7,9	7,1	6,4
Current Liabilities	8,1	6,8	7,1	7,2
Short Term Debt	4,6	3,2	3,2	3,2
Provisions	0,0	0,0	0,0	0,0
Creditors	3,5	3,6	3,9	4,0
Liabilities	23,5	20,7	21,3	22,2
(€ millions)				
Dividends	0,5	0,0	0,0	0,0
Working Capital	1,7	2,5	2,6	2,8
Debtor Turnover (days)	88	99	100	95
Creditor Turnover (days)	72	65	66	64
Financial Debt	13,2	11,1	10,3	9,6
Cash	5,9	2,5	3,2	3,4
Net Debt	7,3	8,6	7,1	6,2

Source: LLN, Checkpoint partners

Sum of the parts valuation

Sector	División	Actual		Year	Actual		Proyectado	
		VE (€)	DFC (€)		VE/Ventas	EV/Ebitda	VE/Ventas	EV/Ebitda
Software	Saas	21,1	52,5	2023e	3,0	184,8	7,4	460,0
				2024e	2,5	31,2	6,1	77,8
	inDenova	5,7	14,2	2023e	1,9	8,9	4,7	22,1
				2024e	1,8	8,3	4,4	20,6
Telecom	SMS	1,5	3,7	2023e	0,4	5,3	1,0	13,2
				2024e	0,4	4,2	1,0	10,6
	ICX	6,7	16,8	2023e	0,8	7,4	2,0	18,4
				2024e	0,7	5,3	1,8	13,2
Sum of Parts		35,0	87,2	2023e	1,7	46,9	4,2	116,7
				2024e	1,5	14,7	3,8	36,7
Deuda Neta		8,6	7,1					
Valor de las acciones		26,4	80,1					
Por acción		1,65	5,00					
Potencial			204%					

Source: LLN, Checkpoint partners

Our sum of the Parts valuation are just estimates of where we think the market is valuing each of [lleida.net](https://www.lleida.net) divisions and where we would value them according to our target price of €5 per share.

We make an estimate of how the Ebitda is distributed between each of the divisions, given that the actual numbers are not reported. Based on those estimates we provide an EV/Ebitda multiple for each of the divisions, both in the way we think they are being valued today and how we value them based on our target price.

We build our target price based on a DCF analysts for each of the divisions.

Checkpoint recommendation System

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Buy: the stock is expected to generate total return of over 15% during the next 12 months time horizon

Neutral: the stock is expected to generate total return of -15% to +15% during the next 12 months time horizon

Sell: the stock is expected to generate total return under -15% during the next 12 months time horizon.

History of recommendations

Date	Recommen.	Price (€)	Target P.(€)	Period	Analyst
16.03.2018	BUY	0,84	1,13	12 months	Guillermo Serrano
17.03.2018	BUY	1.11	1.53	12 months	Guillermo Serrano
17.07.2018	BUY	1.15	1.53	12 months	Guillermo Serrano
17.10.2018	BUY	1.03	1.53	12 months	Guillermo Serrano
24.01.2019	BUY	1.06	1.53	12 months	Guillermo Serrano
24.04.2019	BUY	0.92	1.40	12 months	Guillermo Serrano
23.07.2019	BUY	0.87	1.40	12 months	Guillermo Serrano
21.10.2019	BUY	1.01	1.60	12 months	Guillermo Serrano
21.01.2020	BUY	1.35	1.80	12 months	Guillermo Serrano
21.04.2020	BUY	1.75	3.00	12 months	Guillermo Serrano
21.07.2020	BUY	4,34	6.00	12 months	Guillermo Serrano
26.10.2020	BUY	8,90	12.00	12 months	Guillermo Serrano
26.01.2021	BUY	6.00	11.35	12 months	Guillermo Serrano
20.04.2021	BUY	6.28	11.15	12 months	Guillermo Serrano
22.07.2021	BUY	5.59	11.15	12 months	Guillermo Serrano
11.11.2021	BUY	4.38	9.00	12 months	Guillermo Serrano
22.02.2022	BUY	3.24	9.00	12 months	Guillermo Serrano
04.05.2022	BUY	4.06	9.00	12 months	Guillermo Serrano
11.08.2022	BUY	2.50	7.50	12 months	Guillermo Serrano
25.10.2022	BUY	1.84	6.00	12 months	Guillermo Serrano
09.03.2023	BUY	2.27	5.00	12 months	Guillermo Serrano

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