

BUY
TARGET PRICE : 1,27€ **** +51%

COMPANY CONTACT AFTER Q2 19 RESULTS

SIGNIFICANT BOUNCE IN SAAS SALES DURING Q2

Yesterday, Lleida Networks has posted Q2 19 sales of €3.22m (+2.7%) vs €3.47m expected, slightly disappointing at group level. However, the significant rebound of the SaaS division revenues (e-signature & registered communications) at €993k (+23.7%) vs €843k expected is a clearly positive. We reduce our EPS estimates by -8.8%/-9.2%/-4.2% over 2019-21 to take into account the increase in personnel expenses, whose impact on our Target Price is completely offset by a tumbling Spanish 10Y yield. We reiterate our BUY rating thanks to the solid growth of the SaaS division which lends credibility to our base case scenario.

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Strong growth of e-signature revenues

The company has posted Q2 19 sales of €3.22m (+2.7%) vs €3.47m expected by Invest Securities. Although this figure might seem disappointing at first glance, the business mix is really favorable: sales of the SaaS division (e-signature and registered communications), which is critical to the investment case, amount to €993k vs. €843k expected (+23.7%). This is excellent news after a disappointing Q1 19 (-4.7%). ICX revenues (international telecom connection) amounted to €1.631m vs. €1.888m expected, growing by +4.8% (+20% expected). SMS division revenues decline is stronger than in previous quarters, with sales of €599k (-23.1%) vs €740k expected.

Solid gross margin, EBITDA impacted by recruitments

Given the SaaS division better-than-expected performance and because the division's profitability is much higher than the other's, Lleida's gross margin is in line with our expectations (€1.68m vs. €1.70m), growing +16.2%. It is probably the best indicator of the company's development, because the turnover tends to be volatile and the profitability is very different across the divisions. Lleida's EBITDA is slightly lower than our estimate, at €535k vs €597k expected (€271k vs. € 319k when adjusted for capitalized R&D) due to higher than expected personnel costs (€823k vs €677k). This is partially offset by well-managed external service expenses (€585k vs. €677k expected). At €192k, EBT is below our €252k estimate.

Valuation unchanged, BUY rating reiterated

We downgrade our EPS forecasts by -8.8%/-9.2%/-4.2% to account for the faster-than-expected acceleration of personnel expenses. It could also lead to faster-than-expected growth in revenues (sales teams are being reinforced) that is not yet factored into our model. Our DCF valuation remains stable at 1.27€, our moderate downward revisions being offset by a decline in our WACC (-8bp) linked to the sharp 10-year Spanish bond yield decrease (0.40% vs 0.83% at the time of our initiation). We reiterate our BUY rating. We think Lleida could post sound H2 results, leading to a rerating of the stock.

in € / share	2019e	2020e	2021e
Adjusted EPS	0,04	0,05	0,07
chg.	+10,7%	+44,8%	+40,4%
estimates chg.	-8,8%	-9,2%	-4,2%
au 31/01	2019e	2020e	2021e
PE	22,8x	15,8x	11,2x
EV/Sales	1,06x	0,92x	0,77x
EV/EBITDA	13,9x	9,9x	7,0x
EV/EBITA	17,2x	12,1x	8,3x
FCF yield*	1,9%	5,5%	8,5%
Div. yield (%)	0,0%	0,0%	0,0%

* After tax op. FCF before WCR

key points			
Share price (€)	0,84		
Number of Shares (m)	16,0		
Market cap. (€m)	13		
Free float (€m)	3		
ISIN	ES0105089009		
Ticker	LLN-ES		
DJ Sector	Communications		

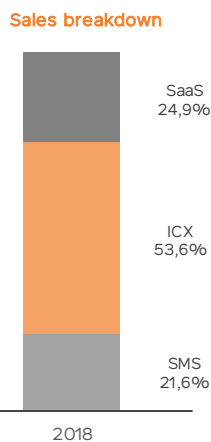
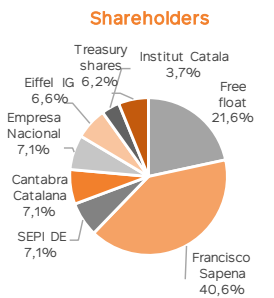
	1m	3m	Ytd
Absolute perf.	-13,4%	-10,6%	-9,7%
Relative perf.	-13,9%	-8,3%	-16,9%

Source : Factset, Invest Securities estimates

INVESTMENT CASE

After two years of impressive organic growth (+27.7% in 2017 and +25.5% in 2018) due to a strong development of its SaaS activities (electronic signature and registered communications) and ICX activities (SMS international trade), Lleida continues developing by growing its internationalization (South Africa, Middle-East, Latin America), following the example of its success in Colombia, and by continuing its commercial conquest of its domestic market. This will bring Lleida an operational leverage on its margins and allow it to significantly increase FCF generation.

FINANCIAL DATA



Share Information	2014	2015	2016	2017	2018	2019e	2020e	2021e
Published EPS (€)	n.a	-0,03	-0,09	0,00	0,02	0,04	0,06	0,09
Adjusted EPS (€)	n.a	-0,07	-0,07	0,01	0,03	0,04	0,05	0,07
Diff. I.S. vs Consensus	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratio	2014	2015	2016	2017	2018	2019e	2020e	2021e
P/E	n.a	n.a	n.s.	59,2x	28,1x	22,8x	15,8x	11,2x
EV/Sales	n.a	n.a	1,56x	1,23x	1,26x	1,06x	0,92x	0,77x
VE/adjusted EBITDA	n.a	n.a	n.s.	23,4x	17,4x	13,9x	9,9x	7,0x
VE/adjusted EBITA	n.a	n.a	n.s.	35,7x	20,4x	17,2x	12,1x	8,3x
Op. FCF bef. WCR yield	n.a	n.a	n.s.	0,3%	3,0%	1,9%	5,5%	8,5%
Op. FCF yield	n.a	n.a	n.s.	2,8%	3,7%	1,5%	4,9%	8,1%
Div. yield (%)	n.a	n.a	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Share price in €	n.a	n.a	0,75	0,66	0,93	0,84	0,84	0,84
Market cap.	n.a	n.a	11,46	10,02	14,04	12,65	12,65	12,65
Net Debt	n.a	n.a	2,38	2,29	1,65	1,68	1,08	0,13
Minorities	n.a	n.a	0,00	0,00	0,00	0,00	0,00	0,00
Provisions/ near-debt	n.a	n.a	0,16	0,03	0,09	0,09	0,09	0,09
+/- Adjustments	n.a	n.a	-1,82	-0,21	-0,19	-0,34	-0,34	-0,34
Entreprise Value (EV)	n.a	n.a	12,17	12,13	15,59	14,08	13,48	12,53

Income statement (€m)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales	9,13	8,41	7,78	9,88	12,36	13,30	14,68	16,30
chg.	n.s	-7,9%	-7,5%	+27,1%	+25,1%	+7,6%	+10,3%	+11,0%
Adjusted EBITDA	-0,52	-0,85	-0,42	0,52	0,90	1,02	1,37	1,79
EBITDA	-0,62	-0,95	-1,18	0,34	0,77	0,82	1,12	1,51
chg.	n.s	n.s.	n.s.	n.s.	+125,6%	+6,5%	+36,8%	+35,3%
Published EBIT	0,29	-0,70	-1,30	0,27	0,53	0,95	1,25	1,74
Financial result	-0,15	0,16	-0,11	-0,21	-0,12	-0,10	-0,06	-0,03
Corp. tax	-0,02	0,14	0,00	0,00	-0,14	-0,21	-0,30	-0,43
Minorities+affiliates	0,00	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	0,12	-0,39	-1,41	0,06	0,27	0,64	0,89	1,29
Adjusted net att. profit	-0,56	-0,82	-1,02	0,17	0,50	0,55	0,80	1,13
chg.	n.s	n.s.	n.s.	n.s.	+195,2%	+10,7%	+44,8%	+40,4%

Cash flow statement (€m)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Adjusted EBITDA	-0,52	-0,85	-0,42	0,52	0,90	1,02	1,37	1,79
Theoretical Tax / EBITA	0,00	0,00	0,00	-0,08	-0,19	-0,20	-0,28	-0,38
Capex	-0,65	-0,57	-0,18	-0,40	-0,23	-0,55	-0,35	-0,35
Operating FCF bef. WCR	-1,16	-1,42	-0,60	0,03	0,47	0,26	0,74	1,06
Change in WCR	0,54	-1,14	0,30	0,30	0,10	-0,05	-0,07	-0,05
Operating FCF	-0,63	-2,56	-0,29	0,34	0,57	0,21	0,66	1,01
Acquisitions/disposals	0,00	0,14	-0,79	0,09	0,31	-0,15	0,00	0,00
Capital increase/decrease	0,00	4,16	-0,07	-0,08	-0,04	0,00	0,00	0,00
Dividends paid	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other adjustments	-0,18	0,19	0,80	-0,26	-0,21	-0,09	-0,07	-0,06
Published FreeCash Flow	-0,81	1,93	-0,35	0,08	0,64	-0,03	0,60	0,95

Balance Sheet (€m)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Assets	5,87	6,56	5,93	4,46	4,14	4,78	5,01	5,31
Intangible assets/GW	3,86	4,29	3,64	3,85	3,84	3,98	4,11	4,34
WCR	0,33	1,32	0,98	0,73	0,67	0,72	0,79	0,84
Group equity capital	2,09	5,85	4,37	2,87	3,07	3,73	4,64	5,94
Minority shareholders	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions	0,15	0,00	0,16	0,03	0,09	0,09	0,09	0,09
Net financial debt	3,96	2,02	2,38	2,29	1,65	1,68	1,08	0,13

Financial ratios	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA margin	n.s.	n.s.	n.s.	5,2%	7,2%	7,6%	9,3%	11,0%
EBITA margin	n.s.	n.s.	n.s.	3,4%	6,2%	6,1%	7,6%	9,3%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	1,7%	4,0%	4,2%	5,5%	6,9%
ROCE	n.s.	n.s.	n.s.	6,5%	15,9%	14,9%	19,2%	24,5%
ROE adjusted	n.s.	n.s.	n.s.	5,9%	16,3%	14,8%	17,3%	19,0%
Gearing	189,2%	34,5%	54,3%	79,8%	53,9%	45,1%	23,4%	2,2%
ND/EBITDA (in x)	n.s.	n.s.	n.s.	4,4x	1,8x	1,7x	0,8x	0,1x

Source : company, Invest Securities Estimates

Next events

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SWOT ANALYSIS

STRENGTHS

- Agility and capacity to anticipate
- Cost-efficient and cash-generative
- Successful development on the electronic signature market

WEAKNESSES

- Volatile growth from one quarter to another
- Limited added value in the SMS division

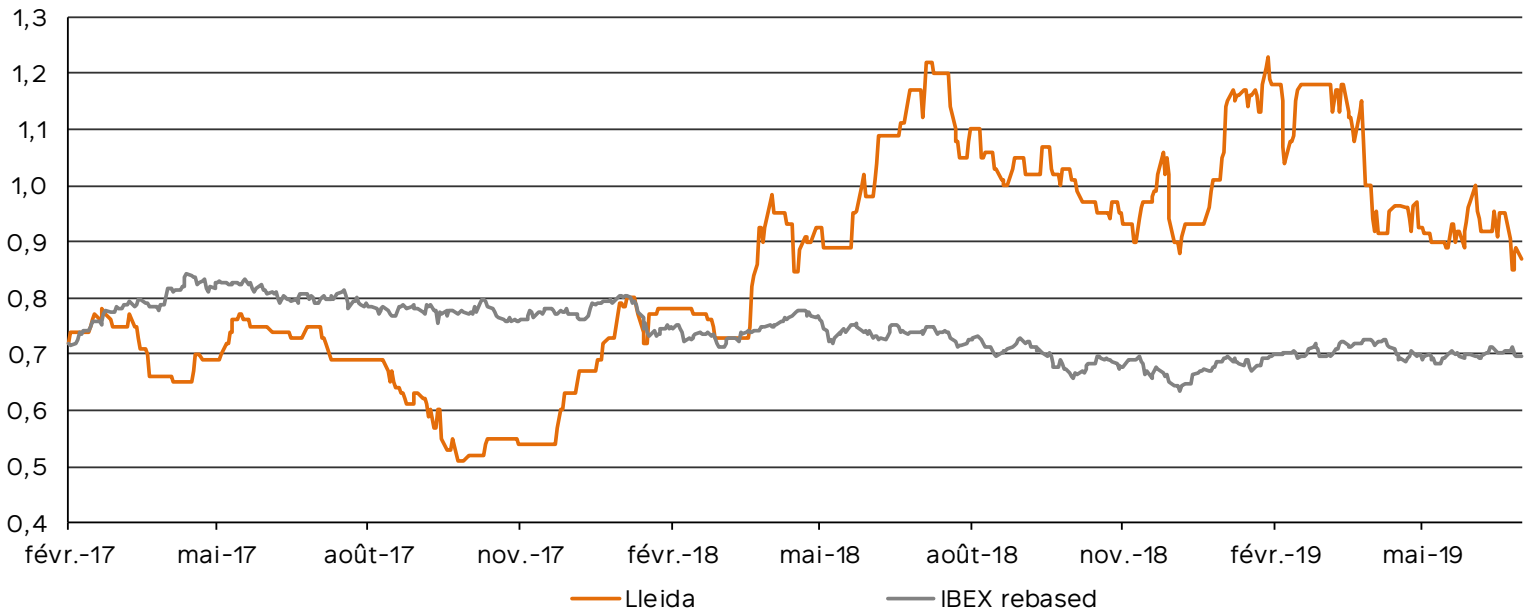
OPPORTUNITIES

- International development thanks to local partnership
- Cross-selling, in particular in the SaaS division
- Small acquisitions to complete the product line

THREATS

- Failure of international development in some countries
- Possible slowdown of the SMS A2P market growth

SHARE PRICE CHANGE SINCE IPO



DETECTION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Lleida	No	No	Yes	No	Yes	Yes	Yes

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