

BUY

TARGET PRICE : 1,34€ (vs 1,27€) **** +24%

Q3 2019 RESULTS

STRONG GROWTH OF THE GROSS MARGIN IN Q3 2019

The company managed to increase its gross margin by +19.7% in Q3 2019 (IS: +18.4%), faster than sales (+10.6%), which are however less relevant in measuring Lleida's performance. Due to the reduced external services costs, the company reached an adjusted EBITDA well above our expectations (€411k vs €198k), suggesting more room for further improvement and supporting our MT scenario (adjusted EBITDA margin of 11.6% in 2021). We are raising our EPS expectations by +2.5%/+5.6%/+4.5% over 2019-21. Considering of Lleida's continued growth momentum through recently materialized new business opportunities and clear visibility on 2020 dynamic, we reiterate our BUY rating.

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Strong momentum in Q3

Lleida published its Q3 2019 results on October 14. Revenue amounted to €3.38m (+10.6%) vs our estimates of €3.45m. Sales have increased for all 3 segments: SaaS division revenues grew by +18%, SMS division by +14% and ICX by +6%. However, we consider gross margin to be the main indicator of Lleida's performance, due to the significantly different margin levels in each division. Gross margin amounted to €1.71m (+19.7%), above our expectations of €1.69m, mainly resulting from the increase in sales of SaaS division. This allowed Lleida to increase its Gross Margin faster than its Revenue (19.7% vs 10.6%).

Well-managed expenses suggest more room for margins improvement

Q3 EBITDA amounted to €631k vs €474k exp. (€411k vs €198k exp. when adjusted for capitalized R&D) due to the reduction of external service expenses (€345k vs €585k exp.). The EBIT was €346k, compared to our projections of €184k. These results suggest more room for further improvement of Lleida's profitability, in case of contained expenses (Adjusted EBITDA margin surging +350bp to 12.2% in Q3). We note that in the next quarters adjusted EBITDA margin may not be as high as we expect the company to continue investing to sustain its growth. However, these results lend credibility to our expectations for 2021 (11.6% adjusted EBITDA margin).

EPS 2019-21 raised by +2.5%/+5.6%/+4.5%

We are raising our EPS 2019-21 estimates by +2.5%/+5.6%/+4.5% to take into account reduced costs of external services over 2019 and the strong growth momentum of Gross Margin (+10.9% over 9 first months of 2019), which may continue into 2020-21 (+8.6%/+12.9% exp). Based on DCF analysis, we raise our valuation to €1.34, up from €1.27. Encouraged by Lleida's continued growth momentum through recently materialized new business opportunities (The professional Courier contract in Middle East, Poland division of BNPP for SaaS division, China Mobile and China Telecom for ICX), we reiterate our BUY rating.

in € / share	2019e	2020e	2021e
Adjusted EPS	0,04	0,06	0,08
<i>chg.</i>	<i>+13,5%</i>	<i>+49,2%</i>	<i>+39,0%</i>
<i>estimates chg.</i>	<i>+2,5%</i>	<i>+5,6%</i>	<i>+4,5%</i>
au 31/01	2019e	2020e	2021e
PE	28,7x	19,2x	13,8x
EV/Sales	1,35x	1,17x	0,99x
EV/EBITDA	15,5x	11,9x	8,6x
EV/EBITA	18,8x	14,4x	10,1x
FCF yield*	2,0%	4,6%	7,0%
Div. yield (%)	0,0%	0,0%	0,0%

* After tax op. FCF before WCR

key points	
Share price (€)	1,08
Number of Shares (m)	16,0
Market cap. (€m)	17
Free float (€m)	4
ISIN	ES0105089009
Ticker	LLN-ES
DJ Sector	Communications

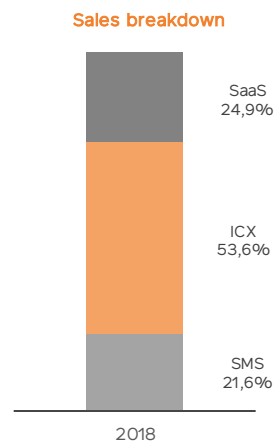
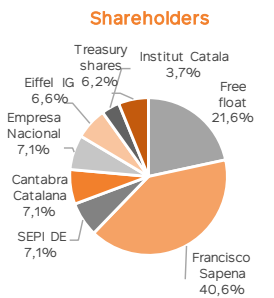
	1m	3m	Ytd
Absolute perf.	+39,4%	+13,7%	+16,1%
Relative perf.	+37,7%	+14,3%	+7,3%

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

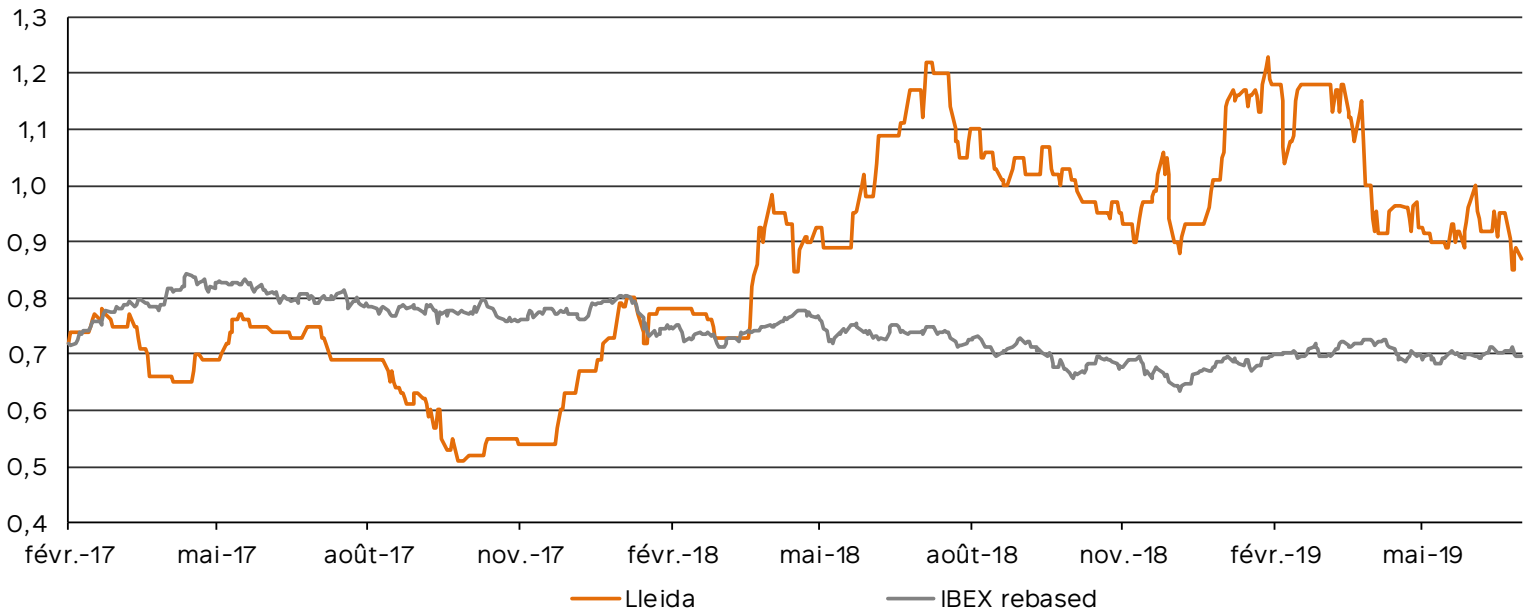
OPPORTUNITIES

- 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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