

2019 PRELIMINARY RESULTS

STRONG GROWTH PATH CONFIRMED

Lleida preliminary results were very well received by the market yesterday (+9.8%). Indeed, over the 2019 fiscal year and despite a tough beginning of the year, the company managed to increase its gross margin by +28% and its adjusted EBITDA by +40%. The ICX activity was surprisingly dynamic in Q4 2019 with a +64% growth mainly due to contract wins that impacted the activity earlier and stronger than we expected. While Lleida is holding its first investor day on Friday, potential remains very high. We reiterate our BUY rating with a target price of 1,64€ vs 1,34€.

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Clear improvement of Q4 2019 revenues and gross margin

Ahead of its first investor day taking place on Friday at Lérida, in Spain (contact inversores@lleida.net for the webcast), the company released its 2019 preliminary results. Lleida's revenue grew by +38% in Q4 2019 at 4.185m€. The main surprise came from ICX activities (SMS international trade) that soared by +61% amounting to 2.547m€ on Q4 vs Invest Securities estimate of 1.822m€. This increase happens after new signings with Chinese phone operators China Mobile and China Telecom but also after a contract that makes the firm the exclusive supplier of number portability in Spain. SaaS division (electronic signature and registered communications) speeds up with a revenue of 1.034m€ (+41.3% vs +12% over 9 months) whereas the SMS division (corporate telecom operator) revenue decreased by -16.6% at 604k€ vs IS estimate of 702k€. The gross margin (the most important indicator given the divisions' very different profitability) rose by +28.3% in Q4 and amounts to 2.053m€ (vs +10% over 9 months) vs IS estimate of 1.884m€.

An adjusted EBITDA continuing to move forward

At 699k€, the Q4 EBITDA is slightly higher than our 663k€ expectation while the EBITDA adjusted from capitalized R&D rose to 494k€ vs 374k€ expected due to well managed personal expenses (869k€ vs 910k€ expected). The Q4 EBIT and net income have both considerably increased to respectively 417k€ (vs 374k€ expected) and 359k€. For the year 2019, the gross margin rose by +15% (+15% in 2018) and the adjusted EBITDA by +40% (+73% in 2018), resulting to an adjusted EBITDA margin of +9,2% (+200bp).

EPS 2020-21 raised by +7.3%/+6.5%

We are raising our EPS estimates for 2020-21 by +7.3%/+6.5% to take into account the strong growth of the ICX activity (+14% expected in 2020 vs +12% previously). Based on a DCF model, we raise our valuation to 1.64€ vs 1.34€ before. The strong lever for profitability improvement (+200bp) combined to the company's growth momentum has a significant impact on our valuation due to our raised expectations on cash generation (+39% in 2021). Our expectations being quite conservative, pursuing this dynamic can lead to a considerable enhancement of Lleida's valuation. We reiterate our BUY rating with a 1.64€ TP (vs 1.34€).

in € / share	2019p	2020e	2021e
Adjusted EPS	0,04	0,06	0,08
chg.	+31,6%	+38,1%	+37,9%
estimates chg.	+15,9%	+7,3%	+6,5%
au 31/01	2019p	2020e	2021e
PE	30,9x	22,4x	16,2x
EV/Sales	1,58x	1,38x	1,18x
EV/EBITDA	17,2x	13,8x	10,1x
EV/EBITA	20,4x	16,6x	11,8x
FCF yield*	2,0%	4,0%	6,0%
Div. yield (%)	0,0%	0,0%	0,0%

* After tax op. FCF before WCR

key points

Share price (€)	1,35
Number of Shares (m)	16,0
Market cap. (€m)	22
Free float (€m)	5
ISIN	ES0105089009
Ticker	LLN-ES
DJ Sector	Communications

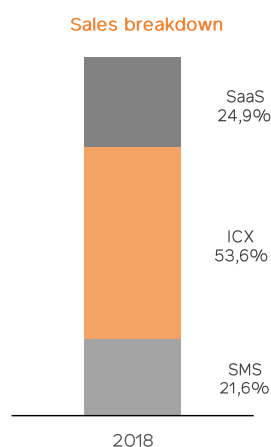
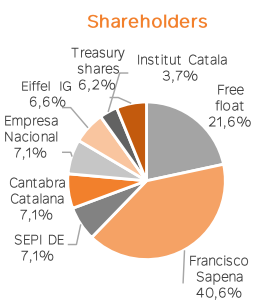
	1m	3m	Ytd
Absolute perf.	+31,1%	+33,7%	+35,0%
Relative perf.	+31,3%	+29,1%	+33,5%

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	2019p	2020e	2021e
Published EPS (€)	n.a	-0,03	-0,09	0,00	0,02	0,05	0,07	0,10
Adjusted EPS (€)	n.a	-0,07	-0,07	0,01	0,03	0,04	0,06	0,08
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	2019p	2020e	2021e
P/E	n.a	n.a	n.s.	59,2x	28,1x	30,9x	22,4x	16,2x
EV/Sales	n.a	n.a	1,56x	1,23x	1,26x	1,58x	1,38x	1,18x
VE/adjusted EBITDA	n.a	n.a	n.s.	23,4x	17,4x	17,2x	13,8x	10,1x
VE/adjusted EBITA	n.a	n.a	n.s.	35,7x	20,4x	20,4x	16,6x	11,8x
Op. FCF bef. WCR yield	n.a	n.a	n.s.	0,3%	3,0%	2,0%	4,0%	6,0%
Op. FCF yield	n.a	n.a	n.s.	2,8%	3,7%	1,7%	3,6%	5,7%
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	2019p	2020e	2021e
Share price in €	n.a	n.a	0,75	0,66	0,93	1,35	1,35	1,35
Market cap.	n.a	n.a	11,46	10,02	14,04	20,33	20,33	20,33
Net Debt	n.a	n.a	2,38	2,29	1,65	1,47	0,79	-0,26
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	21,55	20,87	19,82

Income statement (€m)	2014	2015	2016	2017	2018	2019p	2020e	2021e
Sales	9,13	8,41	7,78	9,88	12,36	13,62	15,16	16,79
chg.	n.s	-7,9%	-7,5%	+27,1%	+25,1%	+10,2%	+11,3%	+10,8%
Adjusted EBITDA	-0,52	-0,85	-0,42	0,52	0,90	1,25	1,51	1,96
EBITDA	-0,62	-0,95	-1,18	0,34	0,77	1,05	1,26	1,68
chg.	n.s	n.s.	n.s.	n.s.	+125,6%	+37,7%	+19,3%	+33,5%
Published EBIT	0,29	-0,70	-1,30	0,27	0,53	1,05	1,46	1,96
Financial result	-0,15	0,16	-0,11	-0,21	-0,12	-0,14	-0,06	-0,03
Corp. tax	-0,02	0,14	0,00	0,00	-0,14	-0,23	-0,35	-0,48
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	0,68	1,05	1,45
Adjusted net att. profit	-0,56	-0,82	-1,02	0,17	0,50	0,66	0,91	1,25
chg.	n.s	n.s.	n.s.	n.s.	+195,2%	+31,6%	+38,1%	+37,9%

Cash flow statement (€m)	2014	2015	2016	2017	2018	2019p	2020e	2021e
Adjusted EBITDA	-0,52	-0,85	-0,42	0,52	0,90	1,25	1,51	1,96
Theoretical Tax / EBITA	0,00	0,00	0,00	-0,08	-0,19	-0,26	-0,31	-0,42
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	0,44	0,84	1,19
Change in WCR	0,54	-1,14	0,30	0,30	0,10	-0,07	-0,08	-0,06
Operating FCF	-0,63	-2,56	-0,29	0,34	0,57	0,37	0,76	1,13
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	-0,04	-0,08	-0,07
Published FreeCash Flow	-0,81	1,93	-0,35	0,08	0,64	0,18	0,68	1,05

Balance Sheet (€m)	2014	2015	2016	2017	2018	2019p	2020e	2021e
Assets	5,87	6,56	5,93	4,46	4,14	4,64	4,94	5,28
Intangible assets/GW	3,86	4,29	3,64	3,85	3,84	3,83	4,04	4,31
WCR	0,33	1,32	0,98	0,73	0,67	0,73	0,82	0,88
Group equity capital	2,09	5,85	4,37	2,87	3,07	3,81	4,87	6,34
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	1,47	0,79	-0,26

Financial ratios	2014	2015	2016	2017	2018	2019p	2020e	2021e
EBITDA margin	n.s.	n.s.	n.s.	5,2%	7,2%	9,2%	10,0%	11,7%
EBITA margin	n.s.	n.s.	n.s.	3,4%	6,2%	7,7%	8,3%	10,0%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	1,7%	4,0%	4,8%	6,0%	7,5%
ROCE	n.s.	n.s.	n.s.	6,5%	15,9%	19,6%	21,9%	27,2%
ROE adjusted	n.s.	n.s.	n.s.	5,9%	16,3%	17,3%	18,6%	19,8%
Gearing	189,2%	34,5%	54,3%	79,8%	53,9%	38,6%	16,3%	n.s.
ND/EBITDA (in x)	n.s.	n.s.	n.s.	4,4x	1,8x	1,2x	0,5x	-0,1x

Source : company, Invest Securities Estimates

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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

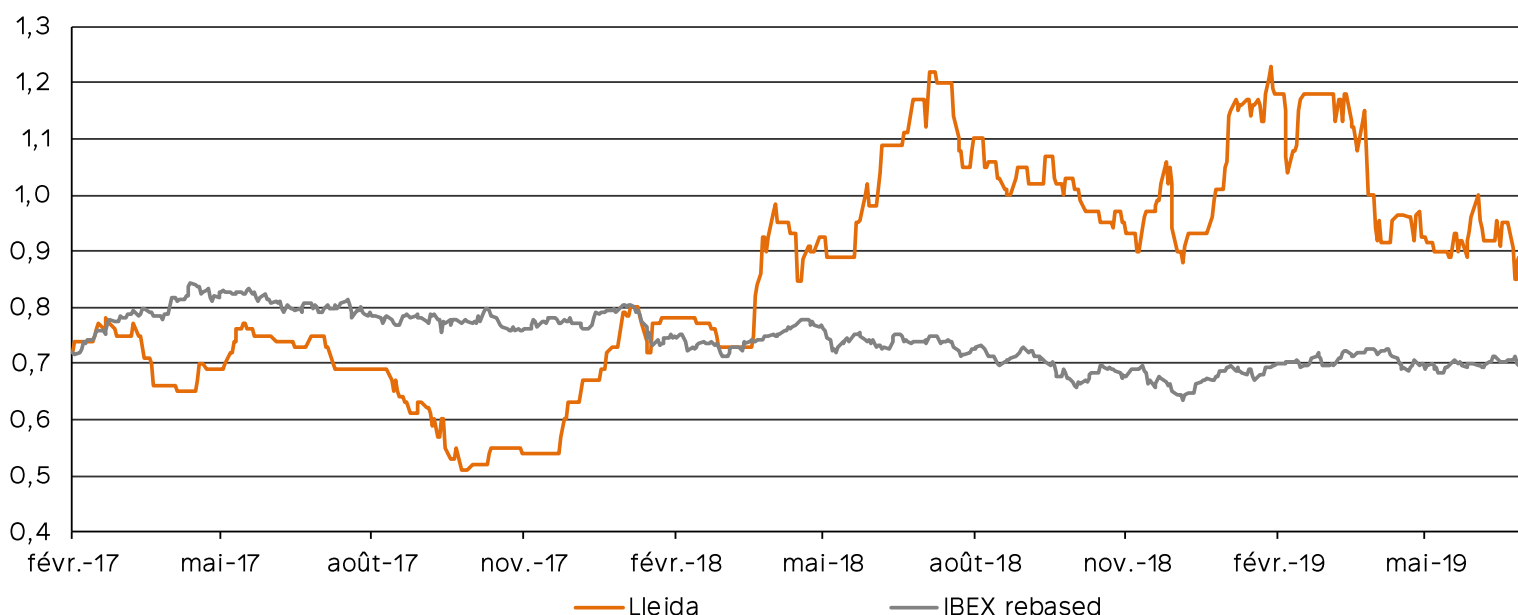
OPPORTUNITIES

- 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	No	No	Yes	Yes	Yes

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