

#### PRELIMINARY Q3 2020 RESULTS

## MARGIN GROWTH IS MATERIALIZING

The company's significant margin growth potential was visible in the Q3 2020 results, with adjusted EBITDA margin ending the period up by 5.9pts at 18.1%. Growth at the ICX division (52% of the FY 2020e total) was not as robust as anticipated, and revenues there missed our estimate by 15%. These two developments are related, since the surge in revenues at the SaaS business (33% of the estimated FY total), which is the most profitable, created a very positive mix effect. We have lowered our revenue estimates but sharply upgraded our margin targets, and moved our TP up from €7.8 to €8.0. No change to our NEUTRAL rating.

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#### Robust growth for SaaS but a decline for ICX

On Thursday, Lleida reported Q3 2020 revenues of €3.910m, missing our €4.071m estimate. The contribution from the SaaS business (e-signature and registered communications, 33% of 2020e revenues) rose 62% to €1.380m (vs. IS estimate of €1.282m), while that of the ICX division (wholesale international SMS, 52% of 2020e revenues) contracted by 2% to €1.912m (IS: €2.256m). The SMS division generated revenues of €618k, for a 4% increase (IS: €533k). Because profitability is higher at the SaaS activities, gross profit expanded by 20% to €2.049m, just beating our estimate (€1.974m). Costs were tightly controlled in Q3, with staff expenses decreasing by 5% year-on-year (to €903k) and the cost of external services remaining at a very low level (€437k) since expenditures for travel and trade shows were limited. This helped drive adjusted EBITDA up by 72% to €709k (IS: €444k), for a margin of 18.1% (+6.0pts). Net cash ended the period at €1.389m, up from €202k at June 30<sup>th</sup>, boosted in part by the sale of treasury stock.

#### Revenue estimates lowered, EBITDA raised

The takeaways from the Q3 results are mixed, but positive on the whole: (i) the ICX division is being hurt by a decline in travel and tourism and is likely to see a period of slower growth. We have therefore lowered our 2020-2022e growth estimates for that division to +15%/+2%/+5%, from +19%/+8%/+6%. The impact on our consolidated revenue estimates is -0.7%/-2.6%/-2.3%; (ii) because growth exceeded expectations for SaaS but fell short for ICX, the mix effect is very favorable at the gross margin level (+1.9pt in Q3 20 vs. Q3 19). Our FY gross margin estimates thus move up by +1.7pt/+4pts/+4pts for 2020-22e. This upward revision, together with the fact that external service costs continue to decline and will not rise substantially early in 2021, has led us to sharply upgrade our EBITDA margin estimates (adjusted for capitalized R&D) to 15.1%/17.6%/20.9% (+3.5pts/+4.2pts/+4.3pts). The upgrade to our margin estimates more than offsets the negative impact of lower revenue assumptions. That being said, based on the current multiples, a large portion (76%) of the valuation depends on the terminal value, which prices in the substantial growth potential and the scope for further strong margin gains (23% adjusted EBITDA margin anticipated in 2029). We have raised our target price from €7.8 to €8.0 and are sticking to our NEUTRAL rating.

in € / share	2020e	2021e	2022e
Adjusted EPS	0,13	0,17	0,25
chg.	+14,2%	+29,2%	+42,9%
estimates chg.	+28,8%	+30,7%	+24%
au 31/01	2020e	2021e	2022e
PE	67,9x	52,6x	36,8x
EV/Sales	8,22x	6,83x	5,62x
EV/EBITDA	54,5x	38,9x	26,9x
EV/EBITA	58,9x	41,4x	28,4x
FCF yield*	1,4%	1,9%	2,8%
Div. yield (%)	0,1%	0,2%	0,3%

\* After tax op. FCF before WCR

key points	
Share price (€)	9,10
Number of Shares (m)	16,0
Market cap. (€m)	146
Free float (€m)	44
ISIN	ES0105089009
Ticker	LLN-ES
DJ Sector	Communications

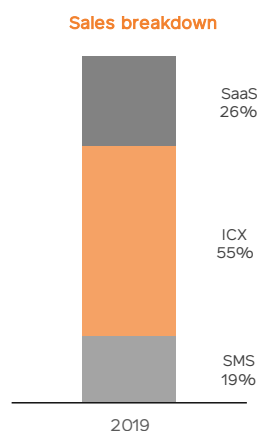
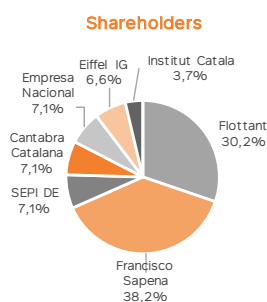
	1m	3m	Ytd
Absolute perf.	+8,3%	+112%	+810%
Relative perf.	+9,4%	+130%	+1167%

Source : Factset, Invest Securities estimates

## INVESTMENT CASE

Growth at Lleidanetworks' electronic signature & registered communications (SaaS) division has accelerated significantly during the health crisis and the lockdowns, with many companies using its solutions in order to adapt to social distancing measures and maintain contact with their customers and employees. This initial boost to growth should soon be followed by a second driver: the use of registered communications solutions for payment reminders and overdue notices at a time when the number of companies in difficulty unfortunately should grow.

## FINANCIAL DATA



### Next events

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Share Information	2015	2016	2017	2018	2019	2020e	2021e	2022e
Published EPS (€)	-0,03	-0,09	0,00	0,02	0,07	0,11	0,18	0,25
<b>Adjusted EPS (€)</b>	<b>-0,07</b>	<b>-0,07</b>	<b>0,01</b>	<b>0,03</b>	<b>0,06</b>	<b>0,13</b>	<b>0,17</b>	<b>0,25</b>
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	0,01	0,02	0,02

Valuation ratios	2015	2016	2017	2018	2019	2020e	2021e	2022e
P/E	n.a	n.s.	59,2x	28,1x	17,9x	67,9x	52,6x	36,8x
EV/Sales	n.a	1,56x	1,23x	1,26x	1,15x	8,22x	6,83x	5,62x
VE/EBITDA ajusté	n.a	n.s.	23,4x	17,4x	12,0x	54,5x	38,9x	26,9x
VE/EBITA ajusté	n.a	n.s.	35,7x	20,4x	13,2x	58,9x	41,4x	28,4x
Op. FCF bef. WCR yield	n.a	n.s.	0,3%	3,0%	6,6%	1,4%	1,9%	2,8%
Op. FCF yield	n.a	n.s.	2,8%	3,7%	3,9%	1,3%	1,7%	2,5%
Div. yield (%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	0,2%	0,3%

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Share price in €	n.a	0,75	0,66	0,93	0,99	9,10	9,10	9,10
Market cap.	n.a	11,46	10,02	14,04	14,92	137,03	137,03	137,03
Net Debt	n.a	2,38	2,29	1,65	0,92	-1,18	-3,13	-6,04
Minorities	n.a	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions/ near-debt	n.a	0,16	0,03	0,09	0,10	0,10	0,10	0,10
+/- Adjustments	n.a	-1,82	-0,21	-0,19	-0,19	-0,19	-0,19	-0,19
<b>Entreprise Value (EV)</b>	<b>n.a</b>	<b>12,17</b>	<b>12,13</b>	<b>15,59</b>	<b>15,75</b>	<b>135,76</b>	<b>133,81</b>	<b>130,89</b>

Income statement (€m)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales	8,41	7,78	9,88	12,36	13,66	16,51	19,60	23,29
chg.	-7,9%	-7,5%	+27,1%	+25,1%	+10,5%	+20,8%	+18,7%	+18,9%
EBITDA ajusté	-0,85	-0,42	0,52	0,90	1,31	2,49	3,44	4,86
<b>EBITA</b>	<b>-0,95</b>	<b>-1,18</b>	<b>0,34</b>	<b>0,77</b>	<b>1,19</b>	<b>2,30</b>	<b>3,23</b>	<b>4,60</b>
chg.	n.s.	n.s.	n.s.	+125,6%	+55,5%	+93,4%	+40,3%	+42,3%
EBIT publié	-0,70	-1,30	0,27	0,53	1,10	2,06	3,27	4,60
Financial result	0,16	-0,11	-0,21	-0,12	0,00	-0,19	-0,02	-0,02
Corp. tax	0,14	0,00	0,00	-0,14	-0,01	-0,24	-0,61	-0,86
Minorities+affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	-0,39	-1,41	0,06	0,27	1,09	1,63	2,64	3,72
<b>Adjusted net att. profit</b>	<b>-0,82</b>	<b>-1,02</b>	<b>0,17</b>	<b>0,50</b>	<b>0,83</b>	<b>2,02</b>	<b>2,61</b>	<b>3,72</b>
chg.	n.s.	n.s.	n.s.	+195,2%	+66,9%	+141,7%	+29,2%	+42,9%

Cash flow statement (€m)	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA ajusté	-0,85	-0,42	0,52	0,90	1,31	2,49	3,44	4,86
Theoretical Tax / EBITA	0,00	0,00	-0,08	-0,19	-0,01	-0,24	-0,61	-0,86
Capex	-0,57	-0,18	-0,40	-0,23	-0,27	-0,30	-0,34	-0,38
<b>Operating FCF bef. WCR</b>	<b>-1,42</b>	<b>-0,60</b>	<b>0,03</b>	<b>0,47</b>	<b>1,03</b>	<b>1,95</b>	<b>2,50</b>	<b>3,62</b>
Change in WCR	-1,14	0,30	0,30	0,10	-0,42	-0,24	-0,27	-0,32
<b>Operating FCF</b>	<b>-2,56</b>	<b>-0,29</b>	<b>0,34</b>	<b>0,57</b>	<b>0,62</b>	<b>1,71</b>	<b>2,23</b>	<b>3,31</b>
Acquisitions/disposals	-0,01	0,21	-0,15	0,00	0,00	0,00	0,00	0,00
Capital increase/decrease	4,16	-0,07	-0,08	-0,04	0,25	0,60	0,00	0,00
Dividends paid	0,00	0,00	0,00	0,00	0,00	-0,16	-0,26	-0,37
Other adjustments	-0,16	-0,19	-0,19	-0,01	-0,10	-0,05	-0,02	-0,02
<b>Published Free Cash Flow</b>	<b>1,43</b>	<b>-0,35</b>	<b>-0,08</b>	<b>0,53</b>	<b>0,77</b>	<b>2,10</b>	<b>1,95</b>	<b>2,91</b>

Balance Sheet (€m)	2015	2016	2017	2018	2019	2020e	2021e	2022e
Assets	6,56	5,93	4,46	4,14	4,23	4,39	4,52	4,64
Intangible assets/GW	4,29	3,64	3,85	3,84	3,85	3,85	3,85	3,85
WCR	1,32	0,98	0,73	0,67	1,17	1,42	1,68	2,00
Group equity capital	5,85	4,37	2,87	3,07	4,39	6,60	8,98	12,34
Minority shareholders	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions	0,00	0,16	0,03	0,09	0,10	0,10	0,10	0,10
<b>Net financial debt</b>	<b>2,02</b>	<b>2,38</b>	<b>2,29</b>	<b>1,65</b>	<b>0,92</b>	<b>-1,18</b>	<b>-3,13</b>	<b>-6,04</b>

Financial ratios	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA margin	n.s.	n.s.	5,2%	7,2%	9,6%	15,1%	17,6%	20,9%
EBITA margin	n.s.	n.s.	3,4%	6,2%	8,7%	14,0%	16,5%	19,8%
Adjusted Net Profit/Sales	n.s.	n.s.	1,7%	4,0%	6,1%	12,2%	13,3%	16,0%
ROCE	n.s.	n.s.	6,5%	15,9%	22,0%	39,7%	52,2%	69,3%
ROE adjusted	n.s.	n.s.	5,9%	16,3%	19,0%	30,5%	29,0%	30,2%
Gearing	34,5%	54,3%	79,8%	53,9%	21,0%	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	n.s.	4,4x	1,8x	0,7x	-0,5x	-0,9x	-1,2x

Source : company, Invest Securities Estimates

## 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

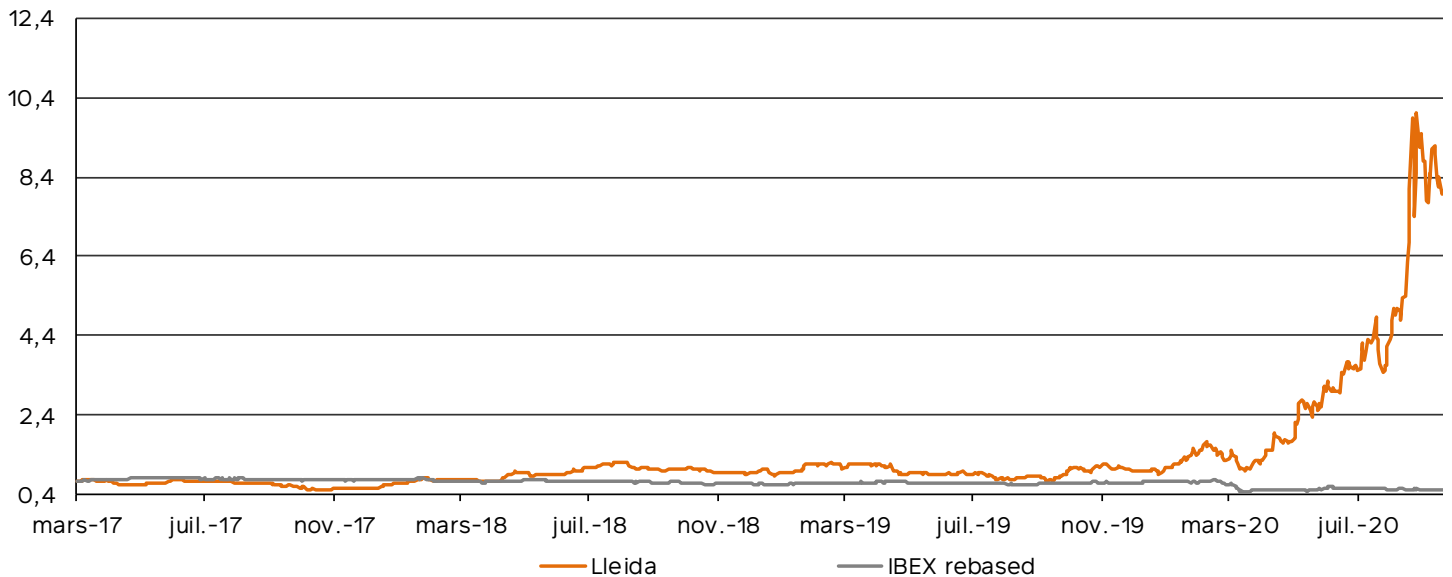
### OPPORTUNITIES

- Benefits from social distancing measures
- International development thanks to local partnership
- 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
<b>Lleida</b>	No	No	No	No	Yes	Yes	Yes

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