

## PRELIMINARY Q1 2021 RESULTS

## A PAUSE FOR BREATH BEFORE TAKING OFF AGAIN

The Q1 2021 preliminary results seem somewhat disappointing compared to recent earnings releases. Revenues were under pressure at the SaaS business due to seasonal effects, and ICX once again saw a steep decline owing to the health situation. Gross profit also appears to have disappointed as conditions remained temporarily unfavorable. It is nonetheless important to note that the medium term outlook is unchanged, and that the end of the flow-back following stock sales by core shareholders is very good news. A lasting reduction in external service charges is another positive development that we believe will continue to provide support. We reiterate our BUY opinion on a stock that has considerable upside potential from our new TP of €9.9 (vs. €10.2 previously).

Matthieu Lavillunière, CFA  
+33 1 73 73 90 34  
[mlavilluniere@invest-securities.com](mailto:mlavilluniere@invest-securities.com)

Maxime Dubreil  
+33 1 44 88 77 98  
[mdubreil@invest-securities.com](mailto:mdubreil@invest-securities.com)

Thibault Morel  
+33 1 44 88 77 97  
[tmorel@invest-securities.com](mailto:tmorel@invest-securities.com)

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### Revenues and gross profit missed our estimates in Q1...

Q1 2021 revenues appear to have fallen short, coming in at €3.987m (-1.5%) vs. our €4.771m estimate, due to (i) slower growth at the SaaS division (+46% vs. +100%) caused by seasonal effects, particularly lower certified SMS volumes in South Africa following an outstanding Q4, and (ii) a further steep decline at ICX (-25% vs. -14% estimate) due to the health situation and competition from telecom carriers. While volatility at the SaaS division from one quarter to the next does not affect its outlook, we have shaded down our estimates for ICX (FY 2021 revenues -15% vs. flat previously), even though the decrease is linked to the health situation. Q1 gross profit came in at €2.003m, vs. our €2.529m expectation, with a favorable mix effect offset by temporarily less buoyant conditions across all divisions (increased competition for ICX, commissions to partners on international sales impacting gross profit for SaaS).

### ...but costs were also lower than anticipated

Personnel expenses were in line (€1.013m vs. €1.005m estimate), but external charges were much lower than anticipated (€566k vs. €800k), which helped lift adjusted EBITDA by 67% year-on-year to €427k (vs. €724k estimate). This decrease, made possible by process digitalization, justifies the downgrade to our FY external charges estimate for 2021 (13% of sales vs. 16% previously). While conditions may not be as conducive to gross margin growth as we could have hoped in 2021, the drop in external charges mostly makes up for it (we are now anticipating an adjusted EBITDA margin of 15.5% vs. 16.3% previously).

### Significant upside potential despite the lackluster Q1 figures

These Q1 results, rather unimpressive compared to the company's recent track record, have led us to lower our EPS estimates for 2021-22 (-13.1%/ -4.3%). We would stress, however, that the MT outlook is unchanged. Moreover, the two core shareholders that decided to divest their stakes (C. Catalana and SEPI Des.) no longer own any Lleida shares, bringing to an end the flow-back that has depressed the stock price in recent months. Still a BUY with an adjusted TP of €9.9 vs. €10.2.

Invest Securities and the issuer have signed an analyst coverage agreement.

in € / share	2021e	2022e	2023e
Adjusted EPS	0,15	0,24	0,30
chg.	+45,5%	+58,5%	+28,1%
estimates chg.	-13,1%	-4,3%	n.s.
au 31/12	2021e	2022e	2023e
PE	39,4x	24,9x	19,4x
EV/Sales	4,5x	3,7x	3,0x
EV/Adjusted EBITD	29,0x	17,8x	13,3x
EV/Adjusted EBITA	31,2x	18,9x	14,1x
FCF yield*	2,4%	4,1%	5,7%
Div. yield (%)	0,2%	0,2%	0,4%

\* After tax op. FCF before WCR

key points			
Closing share price	16/04/2021	5,87	
Number of Shares (m)		16,0	
Market cap. (€m)		94	
Free float (€m)		36	
ISIN		ES0105089009	
Ticker		LLN-ES	
DJ Sector		Communications	
	1m	3m	Ytd
Absolute perf.	+18,3%	-10,4%	-3,8%
Relative perf.	+19,0%	-14,4%	-9,8%

Source : Factset, Invest Securities estimates

## FINANCIAL DATA

Share information	2016	2017	2018	2019	2020	2021e	2022e	2023e
Published EPS (€)	-0,09	0,00	0,02	0,07	0,06	0,14	0,24	0,30
<b>Adjusted EPS (€)</b>	<b>-0,07</b>	<b>0,01</b>	<b>0,03</b>	<b>0,06</b>	<b>0,10</b>	<b>0,15</b>	<b>0,24</b>	<b>0,30</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	0,01	0,01	0,02	0,03

Valuation ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	n.s.	59,2x	28,1x	17,9x	43,8x	39,4x	24,9x	19,4x
EV/Sales	1,56x	1,23x	1,26x	1,15x	4,06x	4,51x	3,66x	2,97x
EV/Adjusted EBITDA	n.s.	23,4x	17,4x	12,0x	35,0x	29,0x	17,8x	13,3x
EV/Adjusted EBITA	n.s.	35,7x	20,4x	13,2x	39,8x	31,2x	18,9x	14,1x
Op. FCF bef. WCR yield	n.s.	0,3%	3,0%	6,6%	2,3%	2,4%	4,1%	5,7%
Op. FCF yield	n.s.	2,8%	3,7%	3,9%	1,9%	2,2%	3,7%	5,7%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	0,2%	0,2%	0,4%

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price in €	0,75	0,66	0,93	0,99	4,49	5,87	5,87	5,87
Market cap.	11,46	10,02	14,04	14,92	67,54	88,39	88,39	88,39
Net Debt	2,38	2,29	1,65	0,92	-0,75	-2,36	-5,09	-9,16
Minorities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions/ near-debt	0,16	0,03	0,09	0,10	0,10	0,10	0,10	0,10
+/- Adjustments	-1,82	-0,21	-0,19	-0,19	-0,19	-0,19	-0,19	-0,19
<b>Entreprise Value (EV)</b>	<b>12,17</b>	<b>12,13</b>	<b>15,59</b>	<b>15,75</b>	<b>66,69</b>	<b>85,94</b>	<b>83,21</b>	<b>79,14</b>

Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	7,78	9,88	12,36	13,66	16,42	19,04	22,73	26,62
chg.	-7,5%	+27,1%	+25,1%	+10,5%	+20,2%	+16,0%	+19,4%	+17,1%
Adjusted EBITDA	-0,42	0,52	0,90	1,31	1,91	2,96	4,67	5,96
<b>adjusted EBITA</b>	<b>-1,18</b>	<b>0,34</b>	<b>0,77</b>	<b>1,19</b>	<b>1,68</b>	<b>2,75</b>	<b>4,39</b>	<b>5,62</b>
chg.	n.s.	n.s.	+125,6%	+55,5%	+40,7%	+64,2%	+59,5%	+28,0%
EBIT	-1,30	0,27	0,53	1,10	1,30	2,56	4,39	5,62
Financial result	-0,11	-0,21	-0,12	0,00	-0,25	0,02	-0,02	-0,02
Corp. tax	0,00	0,00	-0,14	-0,01	-0,09	-0,48	-0,82	-1,05
Minorities+affiliates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	-1,41	0,06	0,27	1,09	0,97	2,10	3,55	4,55
<b>Adjusted net att. profit</b>	<b>-1,02</b>	<b>0,17</b>	<b>0,50</b>	<b>0,83</b>	<b>1,54</b>	<b>2,24</b>	<b>3,55</b>	<b>4,55</b>
chg.	n.s.	n.s.	+195,2%	+66,9%	+84,7%	+45,5%	+58,5%	+28,1%

Cash flow statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-0,42	0,52	0,90	1,31	1,91	2,96	4,67	5,96
Theoretical Tax / EBITA	0,00	-0,08	-0,19	-0,01	-0,09	-0,48	-0,82	-1,05
Capex	-0,18	-0,40	-0,23	-0,27	-0,30	-0,39	-0,43	-0,36
<b>Operating FCF bef. WCR</b>	<b>-0,60</b>	<b>0,03</b>	<b>0,47</b>	<b>1,03</b>	<b>1,52</b>	<b>2,09</b>	<b>3,42</b>	<b>4,54</b>
Change in WCR	0,30	0,30	0,10	-0,42	-0,24	-0,22	-0,32	0,00
<b>Operating FCF</b>	<b>-0,29</b>	<b>0,34</b>	<b>0,57</b>	<b>0,62</b>	<b>1,28</b>	<b>1,86</b>	<b>3,10</b>	<b>4,54</b>
Acquisitions/disposals	0,21	-0,15	0,00	0,00	0,00	0,00	0,00	0,00
Capital increase/decrease	-0,07	-0,08	-0,04	0,25	0,60	0,00	0,00	0,00
Dividends paid	0,00	0,00	0,00	0,00	-0,16	-0,22	-0,36	-0,46
Other adjustments	-0,19	-0,19	-0,01	-0,10	-0,05	-0,03	-0,02	-0,02
<b>Published Cash-Flow</b>	<b>-0,35</b>	<b>-0,08</b>	<b>0,53</b>	<b>0,77</b>	<b>1,68</b>	<b>1,61</b>	<b>2,73</b>	<b>4,07</b>

Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	5,93	4,46	4,14	4,23	4,39	4,57	4,72	4,75
Intangible assets/GW	3,64	3,85	3,84	3,85	3,85	3,85	3,85	3,85
WCR	0,98	0,73	0,67	1,17	1,41	1,63	1,95	2,22
Group equity capital	4,37	2,87	3,07	4,39	6,00	7,82	11,02	15,12
Minority shareholders	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Provisions	0,16	0,03	0,09	0,10	0,10	0,10	0,10	0,10
<b>Net financial debt</b>	<b>2,38</b>	<b>2,29</b>	<b>1,65</b>	<b>0,92</b>	<b>-0,75</b>	<b>-2,36</b>	<b>-5,09</b>	<b>-9,16</b>

Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA margin	n.s.	5,2%	7,2%	9,6%	11,6%	15,5%	20,5%	22,4%
EBITA margin	n.s.	3,4%	6,2%	8,7%	10,2%	14,5%	19,3%	21,1%
Adjusted Net Profit/Sales	n.s.	1,7%	4,0%	6,1%	9,4%	11,8%	15,6%	17,1%
ROCE	n.s.	6,5%	15,9%	22,0%	28,9%	44,4%	65,8%	80,6%
ROE adjusted	n.s.	5,9%	16,3%	19,0%	25,7%	28,7%	32,2%	30,1%
Gearing	54,3%	79,8%	53,9%	21,0%	n.s.	n.s.	n.s.	n.s.
ND/EBITDA (in x)	n.s.	4,4x	1,8x	0,7x	-0,4x	-0,8x	-1,1x	-1,5x

Source : company, Invest Securities Estimates

## INVESTMENT CASE

Lleidanetworks has seen growth at its SaaS division (electronic signatures – certified communications) accelerate sharply during the health crisis and lockdown, with many companies adopting its solutions to comply with social distancing recommendations and stay connected to their customers and employees. The next growth driver on the short-term horizon will be the use of certified communications solutions for payment due and past due notices, at a time when more and more companies will be running into trouble.

## 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

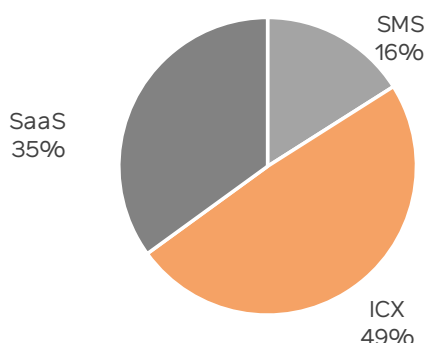
- Benefits from social distancing measures
- International development thanks to local partnership
- Small acquisitions to complete the product line

### THREATS

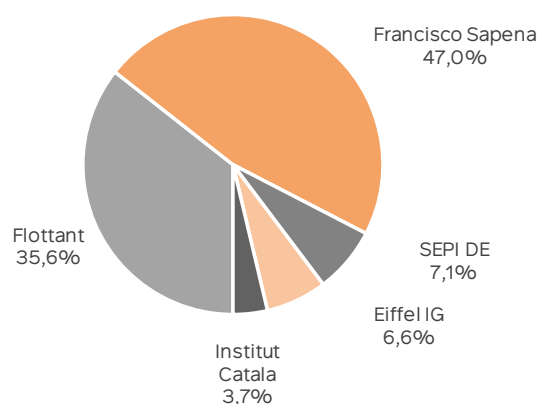
- Failure of international development in some countries
- Possible slowdown of the SMS A2P market growth

## ADDITIONAL INFORMATION

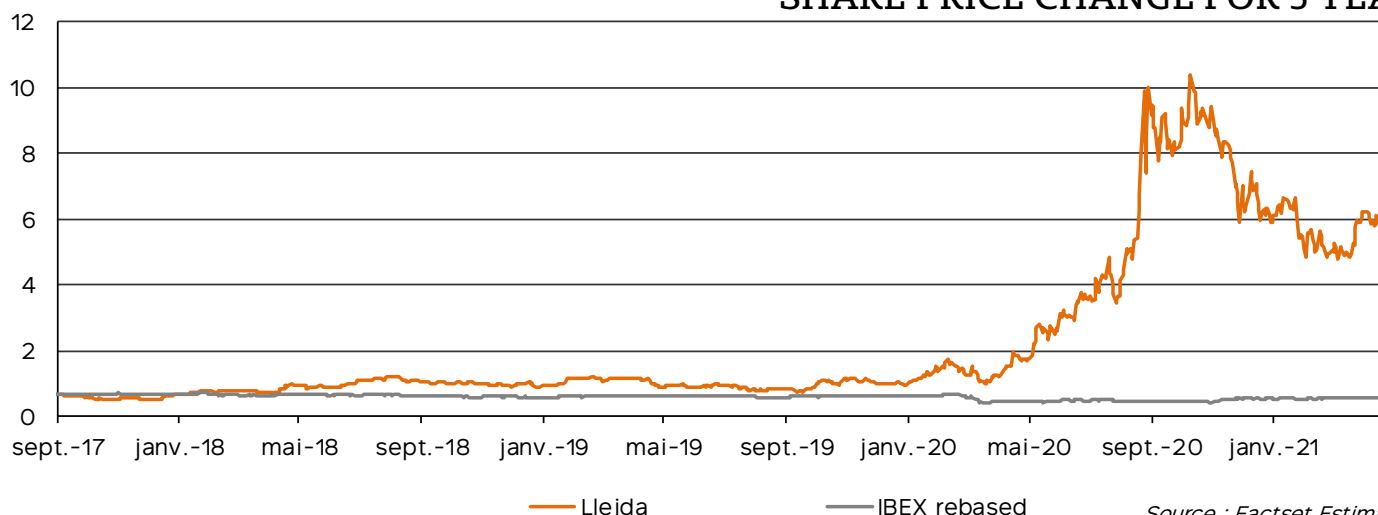
Sales Breakdown 2020



Shareholders



## SHARE PRICE CHANGE FOR 5 YEARS



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Our analyst ratings are dependent on the expected absolute performance of the stock on a 6- to 12-month horizon. They are based on the company’s risk profile and the target price set by the analyst, which takes into account exogenous factors related to the market environment that may vary considerably. The Invest Securities analysis office sets target prices based on a multi-criteria fundamental analysis, including, but not limited to, discounted cash flows, comparisons based on peer companies or transaction multiples, sum-of-the-parts value, restated net asset value, discounted dividends.

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- **BUY:** Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
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## 12-MONTH HISTORY OF OPINION

The table below reflects the history of price recommendation and target changes made by the financial analysis office of Invest Securities over the past 12 months.

Company Name	Main Author	Release Date	Rating	Target Price	Potential
Lleida	Matthieu Lavillunière	05-févr.-21	BUY	10,2	+82%
Lleida	Matthieu Lavillunière	17-déc.-20	BUY	9,3	+47%
Lleida	Matthieu Lavillunière	10-déc.-20	NEUTRAL	8,0	+11%
Lleida	Matthieu Lavillunière	15-sept.-20	NEUTRAL	7,8	-13%
Lleida	Matthieu Lavillunière	21-avr.-20	BUY	2,1	+17%

## DETECTION OF CONFLICTS OF INTEREST

	Lleida
Invest Securities was lead manager or co-lead manager in a public offer concerning the financial instruments of this issuer during the last twelve months.	No
Invest Securities has signed a liquidity contract with the issuer.	Yes
Invest Securities and the issuer have signed a research service agreement.	Yes
Invest Securities and the issuer have signed a Listing Sponsor agreement.	Yes
Invest Securities has been remunerated by this issuer in exchange for the provision of other investment services during the last twelve months (RTO, Execution on behalf of third parties, advice, placement, underwriting).	No
This document was sent to the issuer prior to its publication. This rereading did not lead the analyst to modify the valuation.	No
This document was sent to the issuer for review prior to its publication. This rereading led the analyst to modify the valuation.	No
The financial analyst has an interest in the capital of the issuer.	No
The financial analyst acquired equity securities of the issuer prior to the public offering transaction.	No
The financial analyst receives remuneration directly linked to the transaction or to an investment service provided by Invest Securities.	No
An executive officer of Invest Securities is in a conflict of interest with the issuer and was given access to this document prior to its completion.	No
Invest Securities or the All Invest group owns or controls 5% or more of the share capital issued by the issuer.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net long position of more than 0.5% of the issuer's capital.	No
Invest Securities or the All Invest group holds, on a temporary basis, a net short position of more than 0.5% of the issuer's capital.	No
The issuer owns or controls 5% or more of the capital of Invest Securities or the All Invest group.	No

Invest Securities's conflict of interest management policy is available on the Invest Securities website in the Compliance section. A list of all recommendations released over 12 months as well as the quarterly publication of "BUY, SELL, NEUTRAL, OTHERS" over 12 months, are available on the Invest Securities research platform.

## MANAGEMENT

**Marc-Antoine Guillen**  
CEO

+33 1 44 88 77 80  
maguillen@invest-securities.com

**Jean-Emmanuel Vernay**  
Managing Director

+33 1 44 88 77 82  
jevernay@invest-securities.com

**Anne Bellavoine**  
Deputy Managing Director

+33 1 55 35 55 75  
abellavoine@invest-securities.com

**Pascal Hadjedj**  
Deputy Managing Director and  
Head of Primary Market Sales

+33 1 55 35 55 61  
phadjedj@invest-securities.com

## EQUITY RESEARCH

**Maxime Dubreil**  
Head of Equity Research

+33 1 44 88 77 98  
mdubreil@invest-securities.com

**Stéphane Afonso**  
Real Estate

+33 1 73 73 90 25  
safonso@invest-securities.com

**Johann Carrier**  
Stock-Picking

+33 1 44 88 77 88  
jcarrier@invest-securities.com

**Bruno Duclos**  
Real Estate

+33 1 73 73 90 25  
bduclos@invest-securities.com

**Jamila El Bougrini, PhD, MBA**  
Biotech/Healthtech

+33 1 44 88 88 09  
jelbougrini@invest-securities.com

**Benoît Faure-Jarrosson**  
Real Estate

+33 1 73 73 90 25  
bfaure-jarrosson@invest-securities.com

**Christian Guyot**  
Consumer Goods

+33 1 80 97 22 01  
cguyot@invest-securities.com

**Matthieu Lavillunière, CFA**  
Technology

+33 1 73 73 90 34  
mlavilluniere@invest-securities.com

**Ludovic Martin, CFA**  
Consumer Goods

+33 1 73 73 90 36  
lmartin@invest-securities.com

**Thibault Morel**  
Technology

+33 1 44 88 77 97  
tmorel@invest-securities.com

**Jean-Louis Sempé**  
Automotive

+33 1 73 73 90 35  
jlsempé@invest-securities.com

**Thibaut Voglimacci**  
Medtechs / Biotech

+33 1 44 88 77 95  
tvoglimacci@invest-securities.com

## TRADING FLOOR

**François Habrias**  
Institutional Sales

+33 1 55 35 55 70  
fhabrias@invest-securities.com

**Dominique Humbert**  
Sales trading

+33 1 55 35 55 64  
dhumbert@invest-securities.com

**Bertrand Le Mollé-Montanguon**  
Institutional Sales

+33 1 55 35 55 74  
blmm@invest-securities.com

**Ralph Olmos**  
Institutional Sales

+33 1 55 35 55 72  
rolmos@invest-securities.com

**Kaspar Stuart**  
Institutional Sales

+33 1 55 35 55 65  
kstuart@invest-securities.com

**Renaud Vallette Viallard**  
Institutional Sales

+33 1 72 38 26 32  
rvv@invest-securities.com

**Frédéric Vals**  
Institutional Sales

+33 1 55 35 55 71  
fvals@invest-securities.com

## CORPORATE BROKING & ISSUER MARKETING

**Thierry Roussilhe**  
Head of CB & Issuer Marketing

+33 1 55 35 55 66  
troussilhe@invest-securities.com

**Fabien Huet**  
Liquidity

+33 1 55 35 55 60  
fhuet@invest-securities.com

**Charlène Imbert**  
Listing Sponsor

+33 1 55 35 55 69  
cimbert@invest-securities.com