


BUY

TARGET PRICE: €8.6 (vs €9.9)  +51%

COMPANY CONTACT

AN ACQUISITION WITH POSITIVE RISK REWARD

The group announced the acquisition of Idenova at the end of June. It markets an e-signature platform and processes digitization services based on its solution. This operation will strengthen Lleida's SaaS division (35% of 2020 Sales) product range and the company will focus on marketing these new products to its customer base. We are integrating this acquisition cautiously at this stage (no growth, no synergy). Given a lowering of our 2021 organic growth expectation (+10% vs +16% previously) following the publication of Lleida's Q2 2021 production volumes, our 2021-23 EPS are moderately revised upwards (+5.3%/+9.8%/+9.7%). Our TP is adjusted to €8.6 vs €9.9 (updated risk premium, slightly higher beta). Still a BUY.

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Idenova, an acquisition to strengthen the product portfolio

Lleidanetworks has announced on June 30th the acquisition of 100% of Idenova, a Spanish company that markets an e-signature platform (25% of its sales) and processes digitization services based on its platform (75% of its sales). The company has a modest turnover of €3.3m, but is very profitable (€1.25m EBITDA in 2020, 38% EBITDA margin). Idenova has developed a technically advanced portfolio of solutions but has invested little into its sales force. Lleida's objective will be to add value to these assets by integrating them into its product catalogue and by activating its sales force, one of the company's strong points which has demonstrated its ability to sign contracts generating significant business volume, particularly internationally (contract with the South African Post, take-off of the activity in Colombia). The acquisition price of €7.1m appears very reasonable (2020 EV/Sales of 2.2x and 2020 EV/EBITDA of 5,1x), knowing that the 2020 figures are close to those of previous years.

Moderate increase in our estimates in a conservative approach

We are including Idenova in the scope of the company as of Q3 2021, as indicated by the company. At this stage, we are taking a conservative approach, incorporating a stable turnover and an EBITDA margin close to Lleida's (16%), as the group will invest to boost Idenova's growth, which will initially have a dilutive impact on its margin. In addition, we are lowering our growth expectation for Q2 2021 (+12% vs. +26%) following the company's release of its production volumes, which remain in significant growth, but did not notice the return of the large volumes of certified SMS for the Johannesburg City Hall that we had anticipated. Our 2021 organic growth expectation at group level has been revised to +10% vs +16% previously. This reduces the positive impact of the integration of Idenova on our 2021-23e EPS to +5.3%/+9.8%/+9.7%. We raise our beta to 1.15x vs 1.1x to take into account a slightly lower visibility on the company's prospects. Taking into account the acquisition cost (€7.1m) and the discounting of the risk premium, our TP is revised to €8.6 vs. €9.9 previously. The revaluation potential remains very significant (+51%).

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

in € / share	2021e	2022e	2023e
Adjusted EPS	0,16	0,26	0,33
chg.	+53,2%	+65,1%	+28,1%
estimates chg.	+5,3%	+9,8%	+9,7%
At 31/12	2021e	2022e	2023e
PE	36,3x	22,0x	17,2x
EV/Sales	4,2x	3,3x	2,7x
EV/Adjusted EBITDA	26,8x	15,8x	11,7x
EV/Adjusted EBITA	28,7x	16,7x	12,3x
FCF yield*	2,6%	4,7%	6,6%
Div. yield (%)	0,2%	0,3%	0,4%

\* After tax op. FCF before WCR

Key points	1m	3m	Ytd
Closing share price	20/07/2021		5,70
Number of Shares (m)			16,0
Market cap. (€m)			91
Free float (€m)			49
ISIN			ES0105089009
Ticker			LLN-ES
DJ Sector			Communications
Absolute perf.	-6,6%	-8,8%	-6,6%
Relative perf.	+1,0%	-7,7%	-9,7%

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	0,15	0,26	0,33
<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>0,16</b>	<b>0,26</b>	<b>0,33</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	36,3x	22,0x	17,2x
EV/Sales	1,56x	1,23x	1,26x	1,15x	4,06x	4,23x	3,26x	2,70x
EV/Adjusted EBITDA	n.s.	23,4x	17,4x	12,0x	35,0x	26,8x	15,8x	11,7x
EV/Adjusted EBITA	n.s.	35,7x	20,4x	13,2x	39,8x	28,7x	16,7x	12,3x
Op. FCF bef. WCR yield	n.s.	0,3%	3,0%	6,6%	2,3%	2,6%	4,7%	6,6%
Op. FCF yield	n.s.	2,8%	3,7%	3,9%	1,9%	2,3%	4,1%	6,6%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	0,2%	0,3%	0,4%
<i>NB : valuation based on annual average price for past exercise</i>								
Entreprise Value (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Share price in €	0,75	0,66	0,93	0,99	4,49	5,70	5,70	5,70
Market cap.	11,46	10,02	14,04	14,92	67,54	85,83	85,83	85,83
Net Debt	2,38	2,29	1,65	0,92	-0,75	4,80	1,89	-2,58
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	-7,39	-7,39	-7,39
<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>83,34</b>	<b>80,43</b>	<b>75,96</b>
Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	7,78	9,88	12,36	13,66	16,42	19,71	24,66	28,14
chg.	-7,5%	+27,1%	+25,1%	+10,5%	+20,2%	+20,0%	+25,1%	+14,1%
Adjusted EBITDA	-0,42	0,52	0,90	1,31	1,91	3,11	5,10	6,51
<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>2,90</b>	<b>4,82</b>	<b>6,17</b>
chg.	n.s.	n.s.	+125,6%	+55,5%	+40,7%	+73,0%	+66,1%	+28,0%
EBIT	-1,30	0,27	0,53	1,10	1,30	2,71	4,82	6,17
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	-0,51	-0,90	-1,15
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	2,22	3,90	5,00
<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>2,36</b>	<b>3,90</b>	<b>5,00</b>
chg.	n.s.	n.s.	+195,2%	+66,9%	+84,7%	+53,2%	+65,1%	+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	3,11	5,10	6,51
Theoretical Tax / EBITA	0,00	-0,08	-0,19	-0,01	-0,09	-0,51	-0,90	-1,15
Capex	-0,18	-0,40	-0,23	-0,27	-0,30	-0,40	-0,45	-0,38
<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>2,20</b>	<b>3,75</b>	<b>4,98</b>
Change in WCR	0,30	0,30	0,10	-0,42	-0,24	-0,28	-0,42	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>1,91</b>	<b>3,32</b>	<b>4,98</b>
Acquisitions/disposals	0,21	-0,15	0,00	0,00	0,00	-7,20	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	-0,24	-0,39	-0,50
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>-5,55</b>	<b>2,91</b>	<b>4,46</b>
Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	5,93	4,46	4,14	4,23	4,39	11,78	11,95	11,98
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	1,69	2,12	2,36
Group equity capital	4,37	2,87	3,07	4,39	6,00	7,93	11,44	15,94
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>4,80</b>	<b>1,89</b>	<b>-2,58</b>
Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA margin	n.s.	5,2%	7,2%	9,6%	11,6%	15,8%	20,7%	23,1%
EBITA margin	n.s.	3,4%	6,2%	8,7%	10,2%	14,7%	19,5%	21,9%
Adjusted Net Profit/Sales	n.s.	1,7%	4,0%	6,1%	9,4%	12,0%	15,8%	17,8%
ROCE	n.s.	6,5%	15,9%	22,0%	28,9%	21,5%	34,3%	43,0%
ROE adjusted	n.s.	5,9%	16,3%	19,0%	25,7%	29,8%	34,1%	31,4%
Gearing	54,3%	79,8%	53,9%	21,0%	n.s.	60,6%	16,5%	n.s.
ND/EBITDA (in x)	n.s.	4,4x	1,8x	0,7x	-0,4x	1,5x	0,4x	-0,4x

Source : company, Invest Securities Estimates

## INVESTMENT CASE

Lleidanetworks has seen the growth of its e-signature-certified communication division (SaaS) accelerate significantly during the health crisis and lockdowns, with many companies using its solutions to adapt to social distancing measures and to keep in touch with their customers and employees. This first acceleration will soon be followed by a second one: the use of certified communications solutions for payment claims and other late payment notifications, as companies in trouble will unfortunately multiply.

## 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

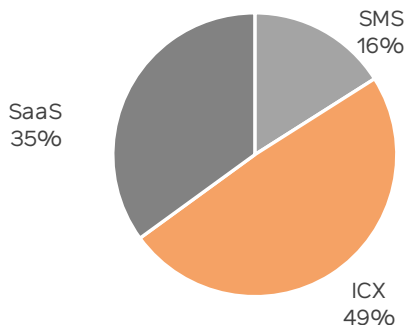
- ❑ Benefits from social distancing measures
- ❑ International development thanks to local
- ❑ Partnership
- ❑ Small acquisitions to complete the product line

### THREATS

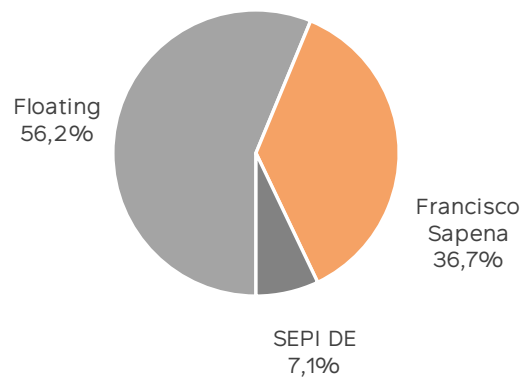
- ❑ Failure of international development in some countries
- ❑ Possible slowdown of the SMS A2P market growth

## ADDITIONAL INFORMATION

Sales Breakdown 2020



Shareholders



## SHARE PRICE CHANGE FOR 5 YEARS



Source : Factset Estimates

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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.

Ratings assigned by the Invest Securities analysis office are defined as follows:

- BUY: Upside potential of more than 10% (the minimum upside required may be revised upward depending on the company’s risk profile)
- NEUTRAL: Between -10% downside and +10% upside potential (the maximum required may be revised upward depending on the company’s risk profile)
- SELL: Downside potential of more than 10%
- TENDER or DO NOT TENDER: Recommendations used when a public offer has been made for the issuer (takeover bid, public exchange offer, squeeze-out, etc.)
- SUBSCRIBE or DO NOT SUBSCRIBE: Recommendations used when a company is raising capital
- UNDER REVIEW: Temporary recommendation used when an exceptional event that has a substantial impact on the company’s results or our target price makes it impossible to assign a BUY, NEUTRAL or SELL rating to a stock

## 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	16/04/2021	BUY	9,9	+69%
Lleida	Matthieu Lavillunière	2-mai-21	BUY	10,2	+82%
Lleida	Matthieu Lavillunière	17/12/2020	NEUTRAL	9,3	+47%
Lleida	Matthieu Lavillunière	12-oct.-20	NEUTRAL	8,0	+11%
Lleida	Matthieu Lavillunière	15/09/2020	BUY	7,8	-13%

## 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.	Yes
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' 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.

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