

CONFERENCE CALL Q2 2021

## FROM "COVID STOCK" TO "DIGITAL STOCK"

The company published on Wednesday rather disappointing figures for its Q2 2021 (+25% growth in SaaS, adjusted EBITDA below our expectations). However, the stock seems to be on very interesting entry points as the acceleration of the SaaS business in H2 will be brutal. We are estimating +57% growth in SaaS sales despite a difficult comparison basis (+85% in H2 20), a much more cautious scenario than what the management points to. We believe that this acceleration of SaaS sales growth will lead to a change in the stock's status, from "Covid stock" to "digital stock" with a very significant potential for rerating. BUY reiterated with a revised TP of €9.5 vs €8.6.

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)

Report completed on  
7/26/2021 16:08 PM

Report published on  
7/26/2021 16:08 PM

### Q2 2021 sales rather disappointing

Lleidanetworks released its preliminary Q2 2021 results on Wednesday morning, July 21st. In terms of sales, the Q2 figures are slightly higher than we expected, at €4.32m vs. €4.21m expected. However, the mix appears less favorable, with a disappointing growth of the SaaS division (35% of the turnover) compared to recent performances (+25% vs. +55% expected), while telecom activities (65% of the turnover), which had been slowing down, are clearly rebounding (+6% for ICX vs. -13% expected and +20% for SMS vs. +0.0% expected) due to the recovery of the tourism activity in Spain and a favorable price effect.

Gross margin is €2.23m, exactly in line with our expectations. Although the change in the mix is not very favorable, the rebound of the telecom business has produced a rebound in the gross margin of these activities, which offsets the negative mix effect. Adjusted EBITDA from capitalized R&D is €375k vs. €569k, due to external service expenses of €805k vs. €600k expected.

In summary, this quarter sees a continued slowdown in the division with the highest potential (SaaS) and a disappointing adjusted EBITDA margin. Despite the unexpected rebound in telecoms, the Q2 results are not very good, in our view.

### The equity story depends on SaaS dynamics

The sharp rise of Lleida's share price in 2020 (+510%) was driven by the strong acceleration of SaaS division's sales growth (+58% over the fiscal year) linked to an acceleration of Lleida's solutions adoption during the pandemic in order to "digitize" physical procedures (contract signing, mail posting...), while maintaining a high level of legal security.

An exaggerated rise in the share price in August-September 2020 and the prospect of an improvement in the health situation led to a serious decline of the share (-50% between the end of August 2020 and mid-March 2021), like many stocks perceived as "Covid stocks". Since then, the stock has not really bounced back (+8.4% between March 15 and July 23), mainly because the growth of the SaaS business has slowed down (+46% in Q1 21 and therefore +25% in Q2 21, compared to +107% in Q4 20), giving credit to the idea that the pandemic has been a temporary windfall and that the normative growth rate had slowed down with the improvement in the health situation.

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

in € / share	2021e	2022e	2023e
Adjusted EPS	0,17	0,27	0,34
chg.	+68,0%	+55,5%	+25,9%
estimates chg.	+9,9%	+3,5%	+1,7%
At 31/12	2021e	2022e	2023e
PE	31,3x	20,1x	16,0x
EV/Sales	3,8x	3,0x	2,5x
EV/Adjusted EBITDA	23,0x	14,4x	10,7x
EV/Adjusted EBITA	24,6x	15,2x	11,3x
FCF yield*	3,1%	5,1%	7,1%
Div. yield (%)	0,2%	0,3%	0,5%

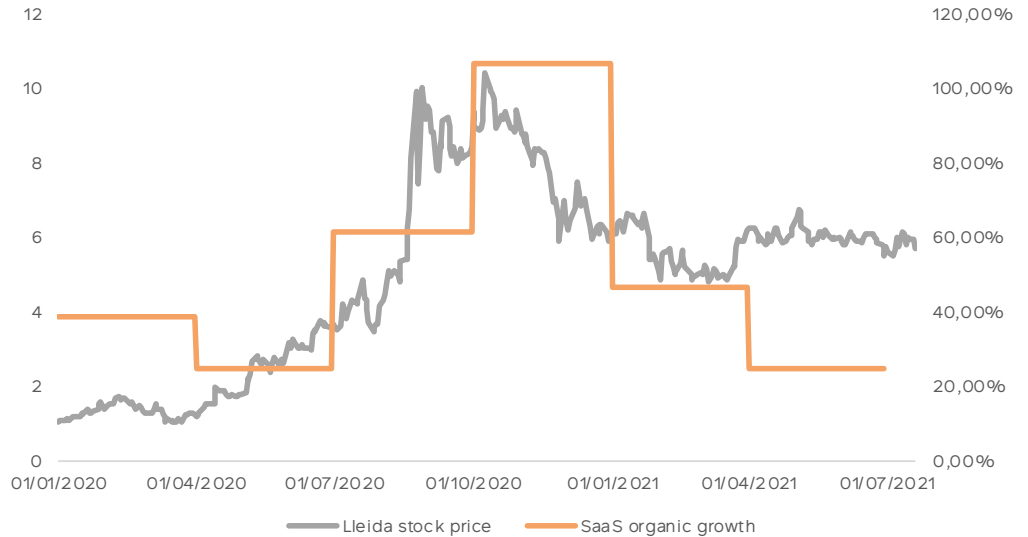
\* After tax op. FCF before WCR

Key points	
Closing share price 23/07/2021	5,40
Number of Shares (m)	16,0
Market cap. (€m)	87
Free float (€m)	47
ISIN	ES0105089009
Ticker	LLN-ES
DJ Sector	Communications

	1m	3m	Ytd
Absolute perf.	-10,0%	-7,7%	-11,5%
Relative perf.	-7,6%	-8,7%	-18,0%

Source : Factset, Invest Securities estimates

**SaaS growth and Lleidanetworks share price**



Sources: Factset, company

The adjusted EBITDA also showed quarter-over-quarter decline (€470k in Q4 20, €427k in Q1 21, €375k in Q2 21). While seasonality is always favorable to the end of the year at Lleida, let's just say that the history of very strong growth carrying significant operating leverage was less visible.

**The re-acceleration of the SaaS business will be very brutal**

After discussions with the management, it is clear to us that the slowdown of the SaaS division is temporary and linked to the implementation time of Lleida's solutions at many large customers. Some contracts with very high sales potential will start in H2 2021 (Bancolombia, The Phone House, Ibercaja) while other customers will strongly increase their consumption (ALD, Zurich).

Thus, the management still expects SaaS to represent more than 50% of total Sales for the fiscal year, which in view of H1 (38% of total revenues) is incredible (this represents an increase of about +160% in SaaS Sales in H2 given our expectations of nearly stable revenues in telecoms). As a precaution, we are including an increase of only +57% for SaaS in H2, which would already be an excellent performance given the basis of comparison (+85% in H2 20) and the dynamics of H1 20 (+35%).

We are also adopting cautious assumptions on the evolution of the activity beyond 2021, thus our 2021-23e EPS are revised upwards by +9.9%/+3.5%/+1.7%.

While the share price did not react to this publication, we believe that the current levels are very interesting entry prices and that it is necessary to position oneself before the Q3 21 publication which will take place during October. Lleida's equity story will then be reassessed and we believe that the company will be seen as a structural winner of the accelerating digitization trend (with a significant growth potential in the medium term) and no longer as a "Covid stock".

We reiterate with conviction our BUY recommendation with the stock price raised to €9.5 vs €8.6.

## FINANCIAL DATA

Share Information	2016	2017	2018	2019	2020	2021e	2022e	2023e
Published EPS (€)	-0,09	0,00	0,02	0,07	0,07	0,16	0,27	0,34
<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>0,17</b>	<b>0,27</b>	<b>0,34</b>
<i>Diff. I.S. vs Consensus</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>
Dividend	0,00	0,00	0,00	0,00	0,01	0,02	0,03	0,03
Valuation ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	n.s.	59,2x	28,1x	17,9x	43,7x	31,3x	20,1x	16,0x
EV/Sales	1,56x	1,23x	1,26x	1,15x	4,06x	3,83x	2,97x	2,46x
EV/Adjusted EBITDA	n.s.	23,4x	17,4x	12,0x	34,8x	23,0x	14,4x	10,7x
EV/Adjusted EBITA	n.s.	35,7x	20,4x	13,2x	39,6x	24,6x	15,2x	11,3x
Op. FCF bef. WCR yield	n.s.	0,3%	3,0%	6,6%	2,3%	3,1%	5,1%	7,1%
Op. FCF yield	n.s.	2,8%	3,7%	3,9%	1,9%	2,7%	4,6%	7,1%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	0,2%	0,3%	0,5%
<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	5,40	5,40	5,40
Market cap.	11,46	10,02	14,04	14,92	67,54	81,31	81,31	81,31
Net Debt	2,38	2,29	1,65	0,92	-0,76	4,66	1,62	-2,92
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>78,68</b>	<b>75,65</b>	<b>71,10</b>
Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	7,78	9,88	12,36	13,66	16,43	20,56	25,44	28,85
<i>chg.</i>	<i>-7,5%</i>	<i>+27,1%</i>	<i>+25,1%</i>	<i>+10,5%</i>	<i>+20,3%</i>	<i>+25,1%</i>	<i>+23,7%</i>	<i>+13,4%</i>
Adjusted EBITDA	-0,42	0,52	0,90	1,31	1,92	3,42	5,27	6,62
<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>3,20</b>	<b>4,99</b>	<b>6,27</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+125,6%</i>	<i>+55,5%</i>	<i>+41,3%</i>	<i>+90,2%</i>	<i>+55,7%</i>	<i>+25,8%</i>
EBIT	-1,30	0,27	0,53	1,10	1,31	2,99	4,99	6,27
Financial result	-0,11	-0,21	-0,12	0,00	-0,24	0,00	-0,02	-0,02
Corp. tax	0,00	0,00	-0,14	-0,01	-0,09	-0,56	-0,93	-1,17
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	0,98	2,43	4,04	5,08
<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>2,59</b>	<b>4,04</b>	<b>5,08</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+195,2%</i>	<i>+66,9%</i>	<i>+85,1%</i>	<i>+68,0%</i>	<i>+55,5%</i>	<i>+25,9%</i>
Cash flow statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-0,42	0,52	0,90	1,31	1,92	3,42	5,27	6,62
Theoretical Tax / EBITA	0,00	-0,08	-0,19	-0,01	-0,09	-0,56	-0,93	-1,17
Capex	-0,18	-0,40	-0,23	-0,27	-0,30	-0,41	-0,46	-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>2,45</b>	<b>3,88</b>	<b>5,07</b>
Change in WCR	0,30	0,30	0,10	-0,42	-0,24	-0,35	-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>1,29</b>	<b>2,10</b>	<b>3,46</b>	<b>5,07</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	-0,26	-0,40	-0,51
Other adjustments	-0,19	-0,19	-0,01	-0,10	-0,05	-0,05	-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>-5,41</b>	<b>3,04</b>	<b>4,54</b>
Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	5,93	4,46	4,14	4,23	4,39	11,79	11,96	12,00
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	1,76	2,18	2,44
Group equity capital	4,37	2,87	3,07	4,39	6,00	8,12	11,76	16,33
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>-0,76</b>	<b>4,66</b>	<b>1,62</b>	<b>-2,92</b>
Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA margin	n.s.	5,2%	7,2%	9,6%	11,7%	16,6%	20,7%	23,0%
EBITA margin	n.s.	3,4%	6,2%	8,7%	10,2%	15,6%	19,6%	21,7%
Adjusted Net Profit/Sales	n.s.	1,7%	4,0%	6,1%	9,4%	12,6%	15,9%	17,6%
ROCE	n.s.	6,5%	15,9%	22,0%	29,0%	23,6%	35,2%	43,5%
ROE adjusted	n.s.	5,9%	16,3%	19,0%	25,7%	31,9%	34,3%	31,1%
Gearing	54,3%	79,8%	53,9%	21,0%	n.s.	57,4%	13,8%	n.s.
ND/EBITDA (in x)	n.s.	4,4x	1,8x	0,7x	-0,4x	1,4x	0,3x	-0,4x

Source : company, Invest Securities Estimates

## THÈSE D'INVESTISSEMENT

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

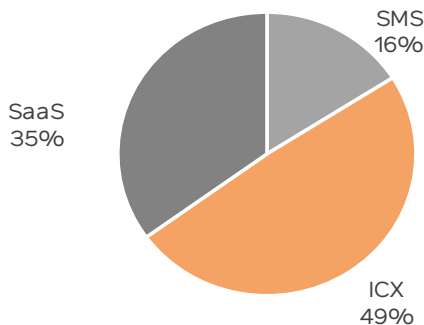
- Benefits from social distancing measures
- International development thanks to local partnership
- Small acquisitions to complete the product line

### THREATS

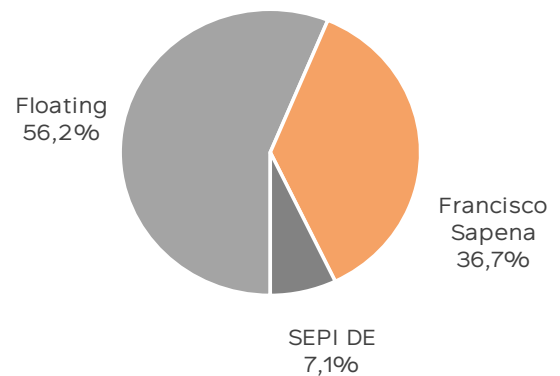
- Failure of international development in some countries
- Possible slowdown of the SMS A2P market growth

## ADDITIONAL INFORMATION

Sales Breakdown 2020



Shareholders



## SHARE PRICE CHANGE FOR 5 YEARS



Source : Factset Estimates

## DISCLAIMER

Invest Securities is authorized and supervised by the Prudential Control and Resolution Authority (ACPR) and regulated by the Financial Markets Authority (AMF).

This document does not constitute or form part of any offer or invitation to subscribe, buy or sell financial securities, or to participate in any other transaction.

While all reasonable care has been taken to ensure that the facts stated herein are accurate, Invest Securities has not verified the contents hereof and accordingly none of Invest Securities, shall be in any way responsible for the contents hereof and no reliance should be placed on the accuracy, fairness, or completeness of the information contained in this document.

The opinions, forecasts and estimates contained in this document are those of their authors only. The assessments made reflect their opinion on the date of publication and are therefore subject to change or invalidation at any time, without notice. Invest Securities has no obligation to update, modify or amend this document or to inform in any way the recipient of this document in the event that a fact, opinion, forecast or estimate contained in this document, changes or becomes inaccurate.

The investments mentioned in this document may not be suitable for all of its recipients. The recipients of the document are invited to base their investment decisions on the appropriate procedures they deem necessary. It is recalled that past performances do not prejudge future performances. Investing in the markets presents a risk of capital loss. Any loss or other consequence arising from the use of the information contained in the document is the sole responsibility of the investor. Neither Invest Securities nor any other person can be held responsible in any way for any direct or indirect damage resulting from the use of this document. If in doubt about any investment, recipients should contact their own investment, legal and / or tax advisers for advice regarding the advisability of investing.

Research reports including their preparation and distribution are subject to the provisions of market abuse regulation (EU) n°2014/596 and delegated regulation (EU) n°2016/958 on the technical modalities for the objective presentation of recommendations. This document is intended only for professional investors who meet the criteria set out in Annex II of Directive 2014/65/EU, or “qualified investors” within the meaning of the prospectus regulation (eu) 2017/1129.

This document is provided to you on a confidential basis for your information and may not be reproduced or transmitted, in whole or in part, to any other person or published.

## TARGET PRICE AND RECOMMENDATION

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	20/07/2021	BUY	8,6	+51%
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.

## 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

**Mathieu 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  
jlsampe@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  
cimberty@invest-securities.com