

COMPANY CONTACT AFTER TURNOVER Q3 2021 RELEASE

RAMPING UP TAKES TIME

The company released last Thursday a disappointing Q3 2021 turnover, due to the integration of Idenova in the accounts as of November 1st vs July 1st anticipated (with no impact in the medium term) and a SaaS business that grew by “only” +24% vs +75% expected. The impact of the ramp up of new high-potential clients has been delayed, due to a sluggish summer and other factors (international contracts, health context). Some of this acceleration should carry over to Q4 2021, some to 2022. BUY reiterated with a revised TP of €8.9 vs €9.5.

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A disappointing Q3 2021 turnover

Lleidanetworks released its preliminary Q3 2021 results yesterday morning. Q3 sales figures were disappointing at €4.294m (+10%) vs €5.643m (+23%) expected by IS. It should be noted that most of the difference (€0.825m) is related to the integration in the accounts of the acquisition of Idenova on November 1st (vs. July 1st). Regarding its SaaS division, the group experienced a weak summer with its energy customers in Spain, while the impact of the ramp-up of new high-potential key accounts has been delayed after a sluggish summer in Spain (Ibercaja, ALD) and internationally (African Posts, Emirates Post). The SaaS division has consequently grown by +24% vs +75% expected by IS. On the other hand, the ICX activity of international SMS trading (48% of the turnover) continues to rebound (+9% vs IS: -5%) due to a favorable price effect. Finally, the SMS division (16% of the turnover) is back down by -10% (IS: -5%) after 4 quarters of rebound.

Gross margin was €2.035m (IS: €3.05m), up by +8%, but well below our expectations due to the significantly lower contribution of the high-margin SaaS division. The EBITDA adjusted for capitalized R&D was €246k vs €1160k, due to the lower gross margin, while the increase in personnel costs was slower than expected (+19% vs IS: +37%).

The acceleration is simply shifted in time

While the Q3 numbers appear disappointing, we need to keep in mind the volatility of Lleida's activity, which has historically surprised significantly on both the upside and downside. The start-up and ramp-up phase of the business with new clients (or new services with existing clients), which historically takes several months, is further lengthened by their large size, international nature and the health context. However, this ramp-up phase is well underway and may surprise in a very positive way when it materializes. We expect +40% organic growth in the SaaS business in 2022 after a ramp-up in 2021 (+27% expected). Our 2021-23 EPS are revised by -33.7%/-5.7%/-4.7%, but a large part of the 2021 revision is related to the delay in the integration of Idenova, which explains the much smaller revision in 2022-23. Still a BUY with a lowered TP of €8.9 vs €9.5.

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

in € / share	2021e	2022e	2023e
Adjusted EPS	0,11	0,25	0,32
chg.	+12,2%	+121,2%	+27,4%
estimates chg.	-33,7%	-5,7%	-4,7%
At 31/12	2021e	2022e	2023e
PE	41,3x	18,7x	14,7x
EV/Sales	3,7x	2,8x	2,3x
EV/Adjusted EBITDA	29,9x	13,3x	9,8x
EV/Adjusted EBITA	32,5x	14,1x	10,4x
FCF yield*	2,3%	5,5%	7,8%
Div. yield (%)	0,2%	0,2%	0,5%

* After tax op. FCF before WCR

Key points		
Closing share price	05/11/2021	4,72
Number of Shares (m)		16,0
Market cap. (€m)		76
Free float (€m)		41
ISIN		ES0105089009
Ticker		LLN-ES
DJ Sector		Communications

	1m	3m	Ytd
Absolute perf.	-3,4%	-18,6%	-22,6%
Relative perf.	-5,5%	-21,2%	-31,6%

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	0,10	0,25	0,32
Adjusted EPS (€)	-0,07	0,01	0,03	0,06	0,10	0,11	0,25	0,32
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	44,0x	41,3x	18,7x	14,7x
EV/Sales	1,56x	1,23x	1,26x	1,15x	4,06x	3,74x	2,77x	2,28x
EV/Adjusted EBITDA	n.s.	23,4x	17,4x	12,0x	35,1x	29,9x	13,3x	9,8x
EV/Adjusted EBITA	n.s.	35,7x	20,4x	13,2x	39,9x	32,5x	14,1x	10,4x
Op. FCF bef. WCR yield	n.s.	0,3%	3,0%	6,6%	2,3%	2,3%	5,5%	7,8%
Op. FCF yield	n.s.	2,8%	3,7%	3,9%	1,9%	2,0%	4,8%	7,8%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	0,2%	0,2%	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	4,72	4,72	4,72
Market cap.	11,46	10,02	14,04	14,92	67,54	71,07	71,07	71,07
Net Debt	2,38	2,29	1,65	0,92	-0,75	5,28	2,49	-1,84
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
Entreprise Value (EV)	12,17	12,13	15,59	15,75	66,70	69,06	66,27	61,94
Income statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	7,78	9,88	12,36	13,66	16,42	18,44	23,89	27,22
chg.	-7,5%	+27,1%	+25,1%	+10,5%	+20,2%	+12,3%	+29,5%	+14,0%
Adjusted EBITDA	-0,42	0,52	0,90	1,31	1,90	2,31	4,97	6,32
adjusted EBITA	-1,18	0,34	0,77	1,19	1,67	2,12	4,70	5,98
chg.	n.s.	n.s.	+125,6%	+55,5%	+40,1%	+27,2%	+121,4%	+27,2%
EBIT	-1,30	0,27	0,53	1,10	1,30	1,90	4,70	5,98
Financial result	-0,11	-0,21	-0,12	0,00	-0,24	-0,03	-0,02	-0,02
Corp. tax	0,00	0,00	-0,14	-0,01	-0,09	-0,35	-0,88	-1,12
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	1,52	3,80	4,85
Adjusted net att. profit	-1,02	0,17	0,50	0,83	1,53	1,72	3,80	4,85
chg.	n.s.	n.s.	+195,2%	+66,9%	+83,8%	+12,2%	+121,2%	+27,4%
Cash flow statement (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-0,42	0,52	0,90	1,31	1,90	2,31	4,97	6,32
Theoretical Tax / EBITA	0,00	-0,08	-0,19	-0,01	-0,09	-0,35	-0,88	-1,12
Capex	-0,18	-0,40	-0,23	-0,27	-0,30	-0,38	-0,44	-0,37
Operating FCF bef. WCR	-0,60	0,03	0,47	1,03	1,51	1,58	3,65	4,83
Change in WCR	0,30	0,30	0,10	-0,42	-0,24	-0,17	-0,47	0,00
Operating FCF	-0,29	0,34	0,57	0,62	1,28	1,41	3,19	4,83
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	-0,17	-0,38	-0,48
Other adjustments	-0,19	-0,19	-0,01	-0,10	-0,05	-0,05	-0,02	-0,02
Published Cash-Flow	-0,35	-0,08	0,53	0,77	1,67	-6,02	2,79	4,33
Balance Sheet (€m)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	5,93	4,46	4,14	4,23	4,39	11,76	11,93	11,96
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	1,58	2,05	2,33
Group equity capital	4,37	2,87	3,07	4,39	5,99	7,31	10,74	15,10
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
Net financial debt	2,38	2,29	1,65	0,92	-0,75	5,28	2,49	-1,84
Financial ratios	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA margin	n.s.	5,2%	7,2%	9,6%	11,6%	12,5%	20,8%	23,2%
EBITA margin	n.s.	3,4%	6,2%	8,7%	10,2%	11,5%	19,7%	22,0%
Adjusted Net Profit/Sales	n.s.	1,7%	4,0%	6,1%	9,3%	9,3%	15,9%	17,8%
ROCE	n.s.	6,5%	15,9%	22,0%	28,8%	15,9%	33,6%	41,8%
ROE adjusted	n.s.	5,9%	16,3%	19,0%	25,6%	23,5%	35,4%	32,1%
Gearing	54,3%	79,8%	53,9%	21,0%	n.s.	72,2%	23,2%	n.s.
ND/EBITDA (in x)	n.s.	4,4x	1,8x	0,7x	-0,4x	2,3x	0,5x	-0,3x

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

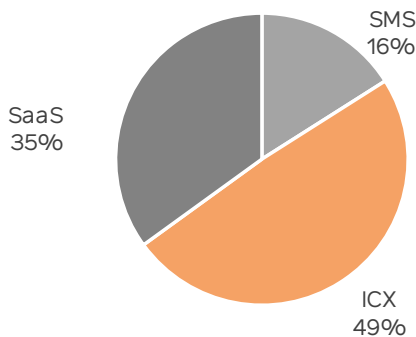
- Benefits from social distancing measures
- International development thanks to local
- Partnership
- Small acquisitions to complete the product line

THREATS

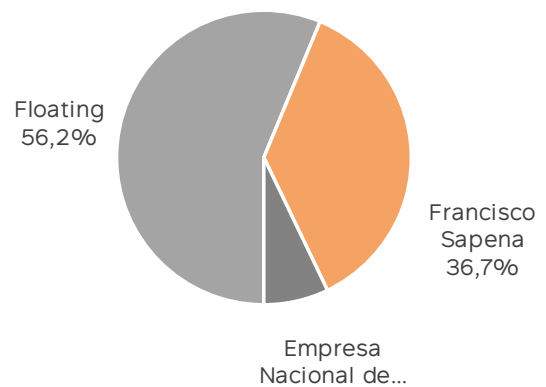
- Failure of international development in some countries
- Possible slowdown of the SMS A2P market growth

ADDITIONAL INFORMATION

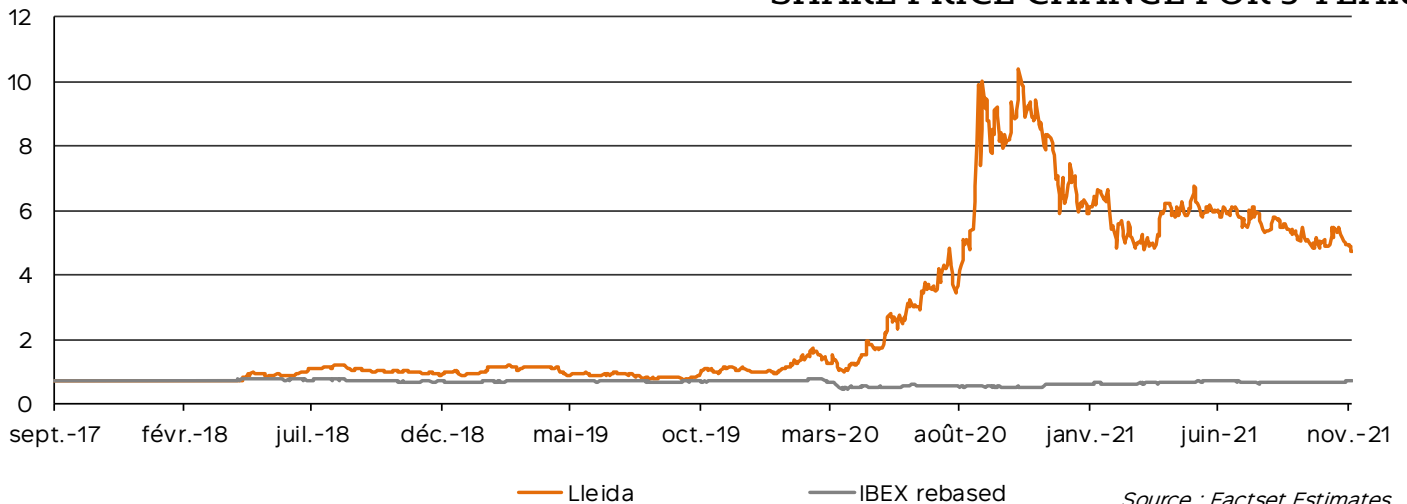
Sales Breakdown 2020



Shareholders



SHARE PRICE CHANGE FOR 5 YEARS



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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)
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- 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.)
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- 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	23-juil.-21	ACHAT	9,5	+69%
Lleida	Matthieu Lavillunière	20-juil.-21	ACHAT	8,6	+51%
Lleida	Matthieu Lavillunière	16-avr.-21	ACHAT	9,9	+69%
Lleida	Matthieu Lavillunière	05-févr.-21	ACHAT	10,2	+82%
Lleida	Matthieu Lavillunière	17-déc.-20	ACHAT	9,3	+47%
Lleida	Matthieu Lavillunière	10-déc.-20	NEUTRE	8,0	+11%

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' 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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