

Lleida.net

BUY

With 1Q24 numbers, now we are talking !!!

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Lleida.net has reported strong 1Q24 numbers resulting from costs cuts implemented in 4Q23 (explained in our December 12th research note), providing reassurance to our unchanged 2024 forecasts. Nearly at the same time, the company presented its audited 2023 (weak) financials, already largely expected by the market.

1Q24 Ebitda (cash) came in at €423k (9% margin) vs €150k (3% margin) a year ago. **Together with 1Q21 (€424k), 1Q24 beats every other 1Q since the company was founded in 1995.**

Cash Opex fell by 20% in 1Q24, (some €2 million in annualized terms), coming from employee lay-offs and a reduction in external services expenses, paving the way for margin expansion in 2024.

Lleida.net is also regaining momentum with a string of recent contract announcements expected to bring additional annual revenues of around €2 million.

Forecasts and Price Target

We are maintaining our 2024 Sales and EBITDA (cash) forecasts unchanged at €18.8 million and €2.1 million respectively.

Despite the recent rebound in the share price, the stock is trading on 2024 and 2025 EV/Ebitda (cash) multiples of 12x and 10x respectively.

We are maintaining our 12-18 month price target of €3.00 (which would place the stock on a 2025 EV/Ebitda (cash) multiple of 20x) to reflect our unchanged estimates. We fundamentally believe that Lleida.net remains a sound SaaS play with a strong franchise in the SMS space.

Equities

BME Growth

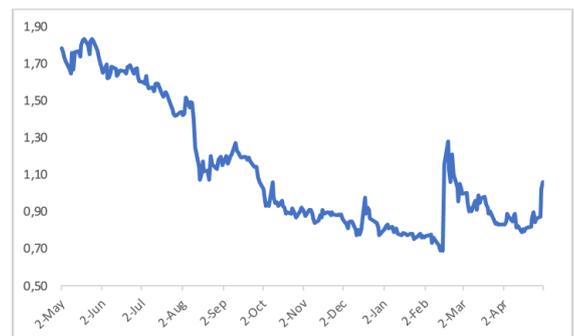
Price (5pm 6/5/24): €1,10

RIC: LLN.MC

Target Price (12-18 m): €3.00

52-Wk range (€): 1.83 - 0.80
 Cap. Bur. (€ millones): 17.6
 No. Shares (millions): 16,05
 Avg. daily Vol. (€,12m): 48k
 Daily volatility (avg. LTM): 4,7%

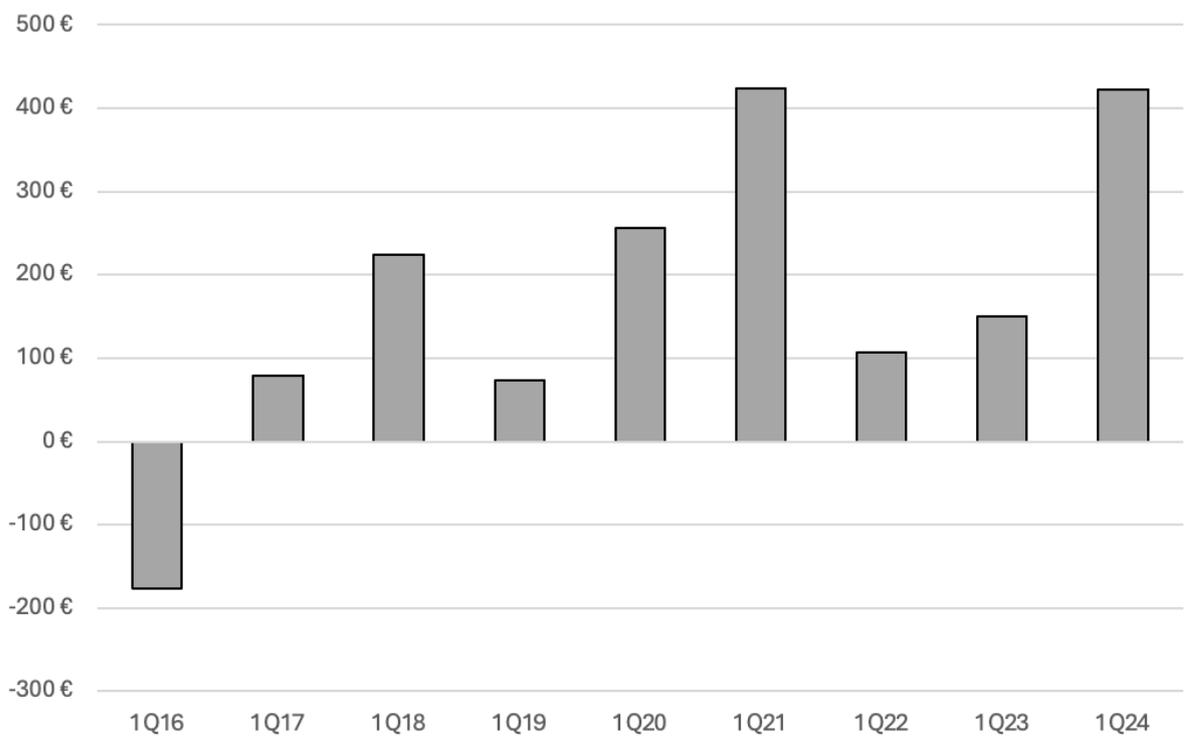
Price Chart (12 months)



(€ millions)	2023	2024e	2025e	2026e
Turnover	16,6	18,8	20,4	22,1
Ebitda	-1,2	2,1	2,8	3,3
Net Profit	-2,7	0,6	1,1	1,6
EPS	-0,17	0,03	0,07	0,10
Net Debt	9,5	8,0	6,2	3,6
EV/Sales	1,6	1,4	1,2	1,0
EV/Ebitda	-22,6	12,0	8,7	6,4
P/E	-6,6	31,9	16,6	11,2
CFY	-8%	10%	13%	16%

1Q24 results: one chart speaks louder than a thousand words.

This chart shows the reported 1Q EBITDA numbers (expressed in 000's) since lleida.net became a publicly listed company in 2015.



Source: Checkpoint Partners

What we expect for 2024, explained.

We continue to expect sales of €18.8 million in 2024, a 14% increase.

We view the projected sales increase as conservative given the strong start of the year. In 1Q24, relative to 4Q23 (normally, the 4th quarters tend to be the strongest), lleida.net sales increased by 18%, the strongest increase observed since the company became public in 2015. As a point of comparison, the average of the prior 7 years has been -3%.

The health of the already announced sales figures and our expectations for the rest of 2024 are underpinned by the 7% increase (1Q24 vs 1Q23) to 1.925, in the number of clients (across 55 different countries).

In addition, the company has made several major contact announcements in recent weeks, providing further comfort to our forecasts. In February, they announced a 3-year contract win with Santander Global Technology & Operations S.L for just under €2 million (€650k per year). During the same month, another one for Comédica in Colombia for €600k over 5 years in digital signatures. In April, a €500k per year digital notifications and signatures contract with logistics company Redex in Colombia. In April as well, Lleida.net signed a €600k per year contract with on-line entertainment company Peruana de Entrenamiento en Línea.

To complement these announcements, a distribution agreement (LoI) was signed with PostNL in the Netherlands. PostNL will start marketing Lleida.net's Certified Email and Openum services. Subsequently, it will be able to do so with Click & Sign, UVSC, eKYC, and Certvalidator, among others.

In the context of these contract wins, lleida.net continues to widen its product offering with the launch in 2023 of Certvalidator, USVC (Universal Signature Validator Certificate), and Digital Certificate to increase its sales potential.

We expect Gross Profits to rise by 15% in 2024.

The Gross Margin is expected to remain at 56% like in 2023. The 1Q24 results have seen a contraction in the margin, mainly because the lower margin SMS ICX division has grown the strongest. We expect the higher margin SaaS divisions to pick up the pace in later quarters.

Cash Opex is expected to drop to €8.6 million in 2024 compared to €10.5 million in 2023.

This is the most significant change at lleida.net this year following the announced restructuring last December. Following a thorough review of its business activities, the company identified all personnel and areas that were not contributing to making the operation profitable.

From a cost base perspective, lleida.net in 2024 is back to 2021 levels just before the Indenova acquisition.

Our EBITDA (ex-capitalizations) projections for 2024 remain unchanged at €2.1 million compared to -€1.2 million in 2023.

Anything that could have gone wrong in 2023 appeared to have gone wrong. The company suffered from a decline in the ICX business as a “side effect” of the COVID-19 pandemic (operators increasing their termination fees) and a major contract loss of their most important client (the financially troubled postal company 472 of Colombia).

Throughout the second half of 2023, the management of lleida.net reacted by identifying both revenue and cost-cutting opportunities to stem the decline in both sales and profits. So far, in 1Q24, there is tangible proof that the strategy is working. Sales are up 1%, albeit modestly, and EBITDA (cash) up by 182%

We expect these 1Q24 to transform the market perception about lleida.net from a struggling operation that drove the share price to under €1 (not seen since 2019) to one of growth and profitability, with a strong potential to create shareholder value.

Our 2024 projections look similar to the financial results obtained in 2020, at a time when the share price surpassed the €10 per share mark. Although we think the market circumstances are different, there is plenty of potential for the share price to recover the moment Lleida-net returns to its historical growth path.

So far, the first step in 1Q24 seems to be in the right direction.

Where we value LLN at present

Sector	Division	12 m		Year	Current (estimate)		Target (DCF based)	
		Current EV (€ m)	Target DCF (€ m)		EV/Sales	EV/Ebitda	EV/Sales	EV/Ebitda
Software	Saas	16,2	33,7	2024e	1,8	2.521,9	3,8	5.244,4
				2025e	1,6	31,6	3,3	65,6
Telecom	SMS	5,3	11,0	2024e	1,5	5,3	3,1	11,1
				2025e	1,4	5,1	3,0	10,7
	ICX	5,6	11,6	2024e	0,9	5,0	1,9	10,5
				2025e	0,9	4,8	1,8	9,9
Sum of Parts		27,1	56,3	2024e	1,4	10,0	3,0	20,8
				2025e	1,3	8,2	2,8	17,1
Net Debt (€ m)		9,4	8,1					
Equity Value (€ m)		17,7	48,2					
Per shr (€)		1,10	3,00					
Upside			173%					

Source: Checkpoint Partners

Our sum of the Parts valuation is an estimate of where we think the market is valuing each of Lleida.net divisions compared with what we would value them according to our target price of €3 per share.

We estimate how the EBITDA is distributed between each division, given that the actual numbers are not reported. Based on those estimates, we provide an EV/Ebitda multiple for each of the divisions, both in the way we think they are being valued today and how we value them based on our target price.

Compared to our sum of the parts valuation in our last report, we have left practically the same valuations for both the Software and SMS divisions. We estimate our target price based on a DCF analysis (WACC of 9.5%) for each division.

Profit and Loss Account by Quarter: 2023 and 2024

(€ 000')	1Q23	2Q23	3Q23	4Q23**	1Q24	
<i>Contracting</i>	766	856	733	718	507	-34
<i>Notification</i>	506	374	324	436	804	59
<i>Other SaaS</i>	989	716	522	638	864	-13
Software Services	2.261	1.946	1.579	1.792	2.175	-4
SMS Solutions	797	867	841	825	757	-5
ICX	1.633	1.230	1.349	1.371	1.781	9
Turnover	4.691	4.043	3.769	3.988	4.713	1
Cost of sales	-1.907	-1.797	-1.779	-1.837	-2.174	14
Gross Profit	2.784	2.246	1.990	2.151	2.539	-9
<i>Gross Margin</i>	59%	56%	53%	54%	54%	
Capitalized R&D	239	204	186	234	243	2
Personnel Expenses	-1.667	-1.699	-1.678	-1.944	-1.428	-14
Other SG&A	-983	-799	-649	-1.031	-691	-30
Depreciation	-526	-513	-538	-518	-519	-1
Provisions	-24	-24	-79	-30	0	-100
Other	16	4	19	40	3	-81
Operating Costs	-3.184	-3.031	-2.925	-3.482	-2.635	-17
Operating Income	-161	-581	-749	-1.097	147	n.m.
<i>Operating Margin</i>	-3%	-14%	-20%	-27%	3%	
Ebitda*	389	-44	-230	-619	666	71
<i>Ebitda Margin</i>	8%	-1%	-6%	-16%	14%	
Ebitda (Cash)*	150	-248	-318	-783	423	182
<i>Ebitda Margin</i>	3%	-6%	-8%	-20%	9%	
Extraordinaries	0	0	0	-230	0	n.m.
Financial Costs (net)	-115	14	-48	-457	-36	-69
Profit Before Tax	-276	-567	-797	-1.554	111	-140
Cash Flow	11	-258	-445	-1.270	364	3.209

* Reported Ebitda, with and without capitalized R&D expenses

** Estimated: given the company has not formally published individualized 4Q23 numbers, full 2023 numbers only.

Source: LLN, Checkpoint partners

Profit and Loss Account 2023-2026e

(€ millions)	2023e	2024e	2025e	2026e
Sales by division				
<i>Contracting</i>	3,1	3,5	3,9	4,3
<i>Notification</i>	1,6	2,0	2,2	2,4
<i>Other SaaS</i>	2,9	3,5	4,1	4,6
Software Services	7,6	9,0	10,2	11,3
SMS Solutions	3,3	3,6	3,7	3,9
ICX	5,6	6,2	6,5	6,8
Turnover	16,6	18,8	20,4	22,1
Cost of sales	-7,3	-8,0	-8,6	-9,0
Gross Profit	9,3	10,7	11,9	13,0
<i>% y-o-y growth</i>	-14%	16%	11%	10%
<i>Gross Margin</i>	56%	57%	58%	59%
Capitalized costs (R&D)	0,9	0,9	0,9	0,9
Personnel Expenses	-7,0	-5,5	-5,8	-6,2
Other SG&A	-3,5	-3,1	-3,3	-3,5
Depreciation	-2,1	-2,2	-2,1	-2,2
Operating Income	-2,5	0,8	1,5	2,1
<i>Operating Margin</i>	-15%	5%	7%	9%
Ebitda	-0,3	3,0	3,6	4,2
<i>Ebitda Margin</i>	-2%	16%	18%	19%
Ebitda (ex-capitalizations)	-1,2	2,1	2,8	3,3
<i>Ebitda Margin</i>	-7%	11%	13%	15%
Financial Results	-0,3	-0,2	-0,2	-0,1
Profit Before Tax	-2,7	0,7	1,2	2,0
Tax	0,1	-0,1	-0,2	-0,4
Net Income	-2,7	0,6	1,1	1,6
Net income attr. to shareholders	-2,6	0,6	1,1	1,6
Minority Interest	0,0	0,0	0,0	0,0
Cash Flow	-1,4	1,8	2,3	2,8

Source: LLN, Checkpoint partners

Balance Sheet 2023-2026e

(€ millions)	2023	2024e	2025e	2026e
Fixed Assets	10,8	9,9	9,4	8,6
Intangible Assets	9,5	8,8	8,2	7,3
Tangible Assets	0,5	0,5	0,6	0,6
Investments in Group Companies	0,0	0,0	0,0	0,0
Other Investments	0,1	0,1	0,1	0,1
Deferred Assets	0,6	0,5	0,6	0,6
Current Assets	6,8	6,7	7,3	9,6
Debtors	5,1	5,7	6,2	6,5
Short Term Investments	0,4	0,4	0,4	0,4
Short Term Accruals	0,3	0,3	0,3	0,3
Cash	1,0	0,3	0,4	2,3
Assets	17,6	16,6	16,6	18,2
Shareholders' Funds	3,0	4,0	5,6	7,6
<i>Capital</i>	0,3	0,3	0,3	0,3
<i>Share Premium</i>	5,2	5,2	5,2	5,2
<i>Reserves</i>	1,5	-1,0	-0,5	0,6
<i>Repurchase of share capital</i>	-1,4	-0,9	-0,4	0,0
<i>Profit and Loss account</i>	-2,6	0,6	1,1	1,6
Long Term Provisions	0,2	0,2	0,2	0,2
Long Term Debt	5,5	5,0	3,3	2,6
Current Liabilities	8,7	7,2	7,3	7,5
Short Term Debt	5,4	3,8	3,8	3,8
Provisions	0,0	0,0	0,0	0,0
Creditors	3,3	3,4	3,5	3,7
Liabilities	17,1	16,2	16,2	17,7
(€ millions)				
Dividends	0,0	0,0	0,0	0,0
Working Capital	1,9	2,3	2,6	2,8
Debtor Turnover (days)	118	106	106	105
Creditor Turnover (days)	65	73	71	71
Financial Debt	9,7	8,7	7,0	6,3
Cash	1,4	0,7	0,8	2,7
Net Debt	9,5	8,0	6,2	3,6

* The Net Financial Debt forecasts takes into account the €1.1million owed in shares to InDenova's selling shareholders and held by lleida.net as Treasury Stock.

Source: LLN, Checkpoint partners

Checkpoint Recommendation System

The Checkpoint Recommendation System is based on absolute returns, measured by the upside potential (including dividends and capital reimbursement) over a 12-month time horizon. Checkpoint recommendations (or ratings) for each stock comprises 3 categories: Buy (B), Neutral (N) and Sell (S).

Buy: the stock is expected to generate total return of over 15% during the next 12 months time horizon

Neutral: the stock is expected to generate total return of -15% to +15% during the next 12 months time horizon

Sell: the stock is expected to generate total return under -15% during the next 12 months time horizon.

History of recommendations

Date	Recommen.	Price (€)	Target P.(€)	Period	Analyst
16.03.2018	BUY	0,84	1,13	12 months	Guillermo Serrano
17.03.2018	BUY	1.11	1.53	12 months	Guillermo Serrano
17.07.2018	BUY	1.15	1.53	12 months	Guillermo Serrano
17.10.2018	BUY	1.03	1.53	12 months	Guillermo Serrano
24.01.2019	BUY	1.06	1.53	12 months	Guillermo Serrano
24.04.2019	BUY	0.92	1.40	12 months	Guillermo Serrano
23.07.2019	BUY	0.87	1.40	12 months	Guillermo Serrano
21.10.2019	BUY	1.01	1.60	12 months	Guillermo Serrano
21.01.2020	BUY	1.35	1.80	12 months	Guillermo Serrano
21.04.2020	BUY	1.75	3.00	12 months	Guillermo Serrano
21.07.2020	BUY	4,34	6.00	12 months	Guillermo Serrano
26.10.2020	BUY	8,90	12.00	12 months	Guillermo Serrano
26.01.2021	BUY	6.00	11.35	12 months	Guillermo Serrano
20.04.2021	BUY	6.28	11.15	12 months	Guillermo Serrano
22.07.2021	BUY	5.59	11.15	12 months	Guillermo Serrano
11.11.2021	BUY	4.38	9.00	12 months	Guillermo Serrano
22.02.2022	BUY	3.24	9.00	12 months	Guillermo Serrano
04.05.2022	BUY	4.06	9.00	12 months	Guillermo Serrano
11.08.2022	BUY	2.50	7.50	12 months	Guillermo Serrano
25.10.2022	BUY	1.84	6.00	12 months	Guillermo Serrano
09.03.2023	BUY	2.27	5.00	12 months	Guillermo Serrano
10.05.2023	BUY	1.64	5.00	12 months	Guillermo Serrano
05.09.2023	BUY	1.15	3.00	12 months	Guillermo Serrano
12.12.2023	BUY	0.80	3.00	12 months	Guillermo Serrano
06.05.2024	BUY	1.10	3.00	12 months	Guillermo Serrano

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Investment horizon: our reports focus mainly on small capitalization and illiquid stocks where standard Venture Capital investment criteria should apply. An investment into a small market capitalization stock should be done on a 3-5 year time horizon in order to realized the full potential of the investment opportunity.

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