

Lleida.net

BUY

The answer, my friend, is blowin' in the wind

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7am, 5rd February 2025*

2024 has finished with a €2 million drop in Net Financial Debt (to €7,4 million), a reflection of the strong cash generation that has characterized the fundamentals of Lleida.net. This drop is equivalent to more than 9% of the current market capitalization and, in our view, is the clearest signal of the stock's undervaluation.

We expect a further drop of €2.4 million in 2025, equivalent to 11% of LLN's current market capitalization. In 4Q24, the drop in NFD was €624k, the highest drop of any of the 2024 quarters.

This debt repayment to capitalization ratio remains attractive despite yesterday's 16% share price appreciation following the results announcement.

4Q24 results have been strong compared to 4Q23, and compared to 3Q24. Sales were up 28% to €5.1 million vs 4Q23 and up 16% vs 3Q24.

4Q24 EBITDA (cash) was €813k, compared to a loss of €308k last year. This is a 16% margin over sales, the second highest ever recorded since LLN became public (Vs. 5-year average of 6%).

Forecasts and Price Target

We are maintaining our 2025 and 2026 Sales and EBITDA (cash) forecasts unchanged.

LLN is now trading on 2025 and 2026 EV/Ebitda (cash) multiples of 9x and 7x, respectively, not consistent with the valuation multiples of a growth company (we expect 35% Ebitda growth in 2025).

We are maintaining our 12-18-month price target of €3.00, which would place the stock at a 2026 EV/Ebitda (cash) multiple of 14x.

Equities

BME Growth

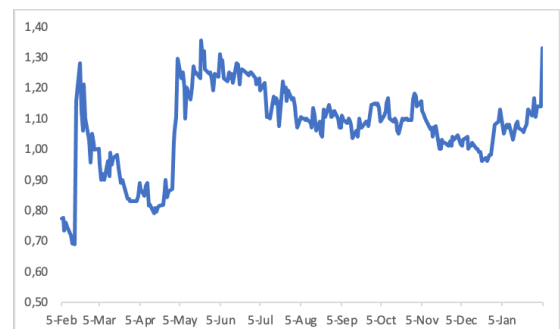
Price (5pm 4/10/24): €1,33

RIC: LLN.MC

Target Price (12-18 m): €3.00

52-Wk range (€):	1.36 - 0.69
Cap. Bur. (€ millones):	21,3
No. Shares (millions):	16,05
Avg. daily Vol. (€12m):	58k
Daily volatility (avg. LTM):	5.1%

Price Chart (12 months)



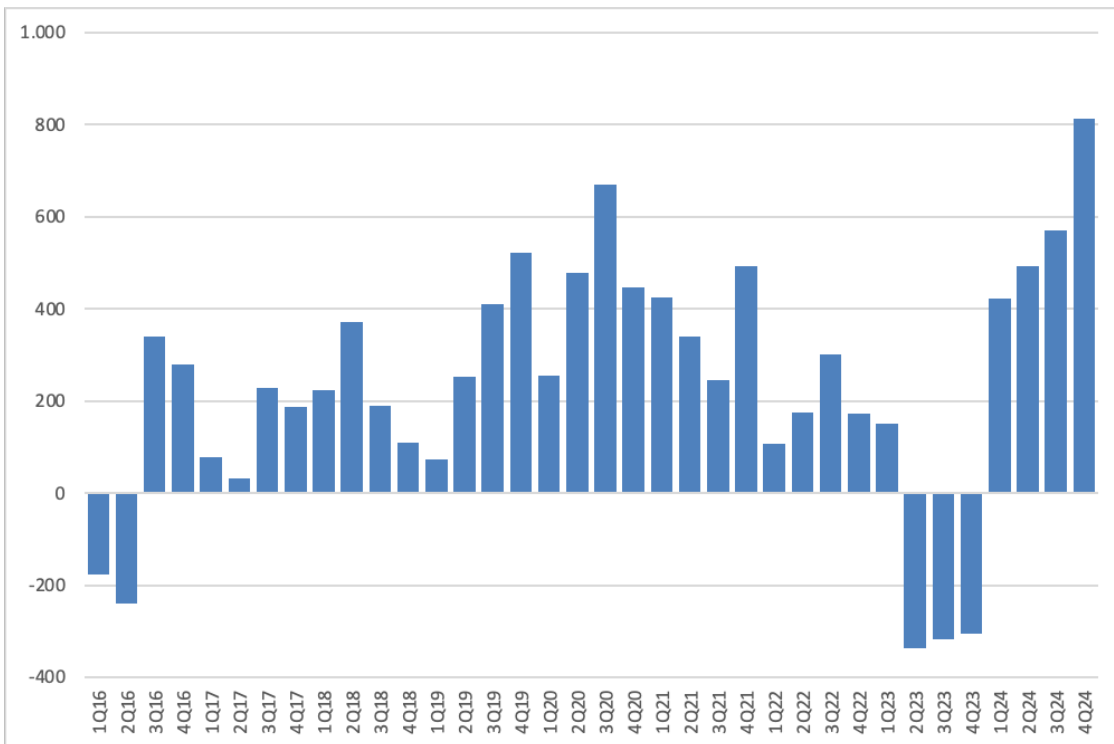
(€ millions)	2023	2024e	2025e	2026e
Turnover	16,6	19,1	21,2	23,0
Ebitda	-1,2	2,1	2,8	3,4
Net Profit	-2,7	0,8	1,3	1,7
EPS	-0,17	0,05	0,08	0,11
Net Debt	9,5	7,4	5,0	2,1
EV/Sales	1,9	1,5	1,2	1,0
EV/Ebitda	-25,7	13,5	9,3	6,8
P/E	-8,0	25,4	16,8	12,5
CFY	-7%	9%	11%	14%

Ebitda is rising strong; valuations should follow.

*How much growth must a company turn?
Before its share price is allowed to go up
The answer, my friend, is blowin' in the wind.*

Over a year ago, lleida.net thoroughly reviewed its cost base and restructured all divisions to focus on profitable growth. The results were a turnaround in profitability and cash flow generation.

Chart 1: lleida.net quarterly cash Ebitda (2016-2024) in € 000.



Source: Lleida.net, Checkpoint Partners.

The sequential EBITDA decline during the 2021 to 2023 quarters resulted from an aggressive cost-based expansion (including an acquisition) to capture a kind of growth that fell short of the company's expectations.

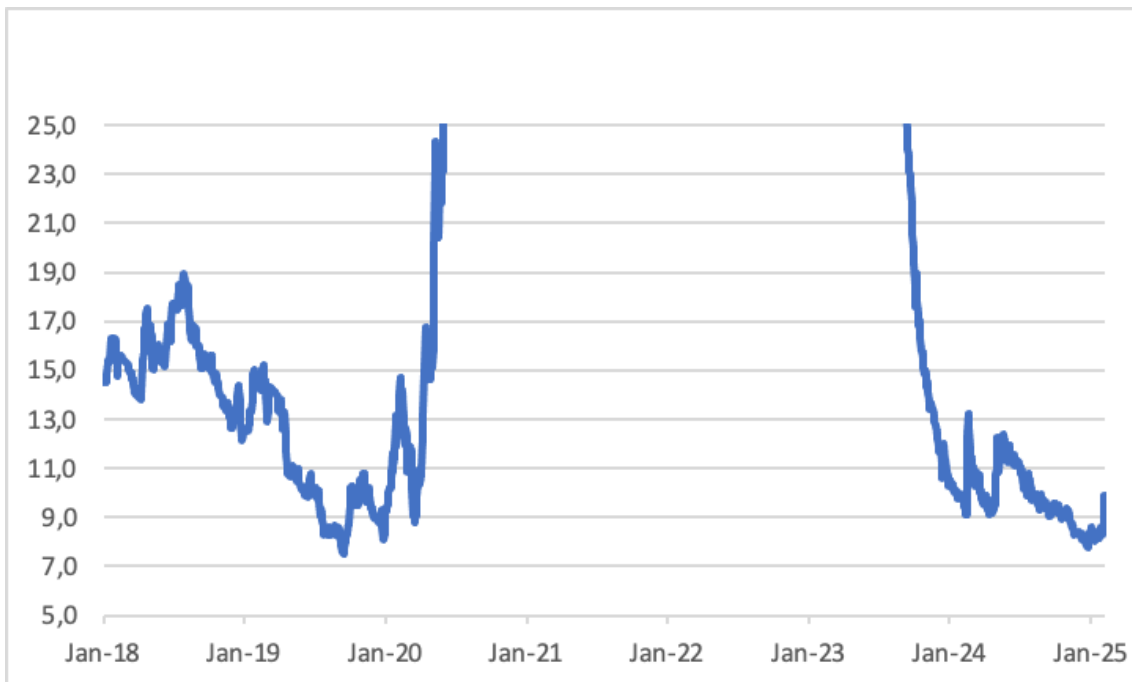
The share price took a severe value beating during the 2022-2023 period, and the market is still slightly weary when restoring the share valuation to its former levels. It reminds us of the "cry wolf" children's story; now that it is finally happening, no one seems to want to believe it.

The fundamentals remain robust because there is a secular trend to reinforce the legal validity of electronic contracts and notifications. For most participants, paper is something of the past but is often replaced by legally vulnerable electronic contracts or notifications. For a relatively low cost, users can opt for more legal security, and judging by the client growth rate at lleida.net, it confirms the trend.

On the SMS front, we continue to observe good levels of growth. The growth can be explained by the continued use of SMS for notifications and one-time passwords (OTP), which have become a cornerstone of user security when it comes to mobile-based communications.

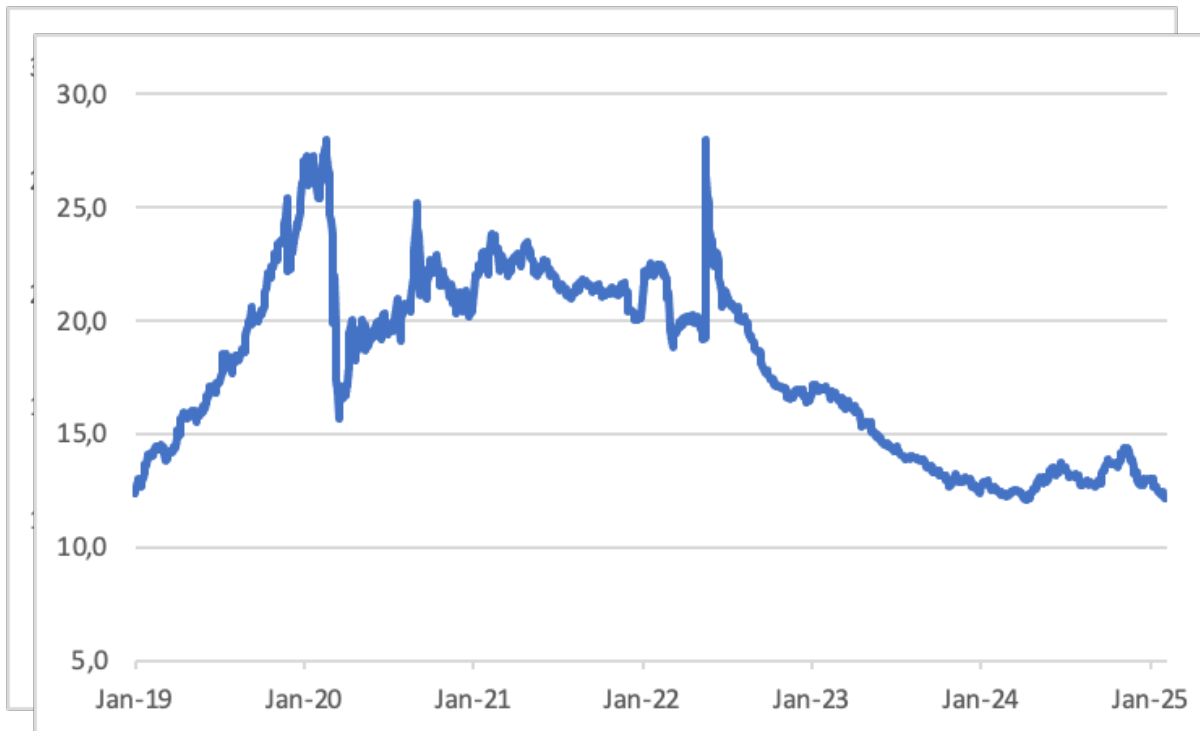
On the EV/Ebitda valuation front, we have identified three distinct periods for Lleida Net since 2018. The first one from January 2018 to June 2020 with an average EV/Ebitda (12-month fwd) multiple of 13.8x, the second from July 2020 to August 2023 that we consider the multiple not meaningful given the combined sharp increase in the share price (Covid related speculation) with an Ebitda loss in 2023 and, the third period, from September 2023 till the present (February 2025) with an average EV/Ebitda of 11.4. As of the start of February 2025, the EV/Ebitda multiple stands at 8.3x.

Chart 2: EV/Ebitda multiple (12 months fwd)



Source: Checkpoint Partners.

Chart 3: BME Growth ICT sector EV/Ebitda multiple (12 months fwd)



Source: Checkpoint Partners.

Part of the reason for LLN undervaluation is the sector itself. This chart shows the BME Growth ICT sector EV/EBITDA evolution since 2019, with an average multiple of 18x, which is 50% higher than the current average multiple of 12x. Given that the sector tends to outperform the rest of the economy, we would expect it to bounce back to its long-term averages and help lift LLN ´s valuation multiples as well.

We can only conclude that Lleida.net´s current earnings momentum has not yet been transferred to share price performance, but it will be a matter of time. According to our earnings estimates, should Lleida.net report in line with our 2025 and 2026 forecasts, our target price of €3 per share would “only” lift the EV/Ebitda (12-month fwd) multiple to 14x by the end of 2025... in line with the 2018-2020 period we just mentioned. Despite the apparent aggressiveness in our large price (upside of 270%), it will not take the valuation multiple out of an unrealistic range, so we maintain our target price.

Profit and Loss Account by Quarter: 2023 and 2024

	4T23	4T24	Var.%	2023	2024	Var.%
Sales	3.988	5.100	28%	16.491	19.059	16%
Cost of Sales	-1.801	-2.347	30%	-7.320	-8.913	22%
Gross Margin	2.187	2.753	26%	9.171	10.146	11%
<i>Gross Margin</i>	55%	54%		56%	53%	
Personnel Expenses	-1.684	-1.319	-22%	-6.748	-5.471	-19%
External Services	-809	-621	-23%	-3.202	-2.415	-25%
EBITDA cash	-306	813	366%	-779	2.260	-390%
<i>% of Gross Margin</i>	-14%	30%		-8%	22%	
Capitalized R&D	234	238	2%	863	1.009	17%
EBITDA	-72	1.051	1560%	84	3.269	3792%
<i>% of Gross Margin</i>	-3%	38%		1%	32%	
Amortization	-547	-475	-13%	-2.124	-2.106	-1%
Other income	41	5	-88%	79	56	-29%
Other results	-127	-1	-99%	-196	-7	-96%
Severance payments	-240	-32	-87%	-240	-32	-87%
Provisions for bad debts	82	-140	271%	-64	-140	119%
Profit from operations	-863	408	147%	-2.461	1.040	-142%
Net financial result	-92	-44	-52%	-195	-203	4%
Exchange rate differences	-42	66	-257%	-64	3	-105%
Profit before tax	-997	430	143%	-2.720	840	-131%
	4T23	4T24	Var.%	2.023	2.024	Var.%
Contracting	718	981	37%	3.073	3.466	13%
Notification	436	546	25%	1.640	2.044	25%
Other SaaS	638	753	18%	2.865	2.847	-1%
Total SaaS	1.792	2.280	27%	7.578	8.357	10%
SMS Solutions	825	1.101	33%	3.330	3.776	13%
ICX Wholesale Solutions	1.371	1.719	25%	5.583	6.926	24%
Total SMS	2.196	2.820	28%	8.913	10.702	20%
Total	3.988	5.100	28%	16.491	19.059	16%

Source: LLN, Checkpoint partners

* Quarterly results are expressed as the company reported in their results press release. Our yearly forecast includes exceptional items (severance payments and provisions for bad debts) in calculating our EBITDA cash numbers. The difference between the two numbers represents less than 5%

Profit and Loss Account 2023-2026e

(€ millions)	2023	2024	2025e	2026e
Sales by division				
<i>Contracting</i>	3,1	3,5	3,7	4,2
<i>Notification</i>	1,6	2,0	2,2	2,5
<i>Other SaaS</i>	2,9	2,8	3,4	4,0
Software Services	7,6	8,4	9,3	10,7
SMS Solutions	3,3	3,8	3,9	4,0
ICX	5,6	6,9	7,8	8,3
Turnover	16,6	19,1	21,2	23,0
Cost of sales	-7,3	-8,9	-9,5	-10,1
Gross Profit	9,3	10,2	11,7	12,9
<i>% y-o-y growth</i>	-14%	10%	15%	11%
<i>Gross Margin</i>	56%	53%	55%	56%
Capitalized costs (R&D)	0,9	1,0	1,0	0,9
Personnel Expenses	-6,7	-5,5	-5,8	-6,1
Other SG&A	-3,7	-2,6	-3,0	-3,4
Depreciation	-2,1	-2,1	-2,1	-2,1
Operating Income	-2,5	1,0	1,7	2,2
<i>Operating Margin</i>	-15%	5%	8%	10%
Ebitda	-0,3	3,1	3,8	4,3
<i>Ebitda Margin</i>	-2%	16%	18%	19%
Ebitda (ex-capitalizations)	-1,2	2,1	2,8	3,4
<i>Ebitda Margin</i>	-7%	11%	13%	15%
Financial Results	-0,3	-0,2	-0,2	-0,1
Profit Before Tax	-2,7	0,8	1,5	2,1
Tax	0,1	0,0	-0,2	-0,4
Net Income	-2,7	0,8	1,3	1,7
Net income attr. to shareholders	-2,6	0,9	1,3	1,7
Minority Interest	0,0	0,0	0,0	0,0

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	7,2	8,0	10,5
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	0,8	1,2	3,2
Assets	17,6	17,1	17,4	19,1
Shareholders' Funds	3,0	4,3	6,1	8,2
<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	-0,2	1,1
<i>Repurchase of share capital</i>	-1,4	-0,9	-0,4	0,0
<i>Profit and Loss account</i>	-2,6	0,9	1,3	1,7
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	7,4	7,6	7,8
Short Term Debt	5,4	3,8	3,8	3,8
Provisions	0,0	0,0	0,0	0,0
Creditors	3,3	3,6	3,8	4,0
Liabilities	17,1	16,7	17,0	18,6
(€ millions)				
Dividends	0,0	0,0	0,0	0,0
Working Capital	1,9	2,1	2,4	2,5
Debtor Turnover (days)	118	104	102	101
Creditor Turnover (days)	65	74	74	72
Financial Debt	9,7	8,7	7,0	6,3
Cash	1,4	1,2	1,6	3,6
Net Debt	9,5	7,5	5,4	2,7

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
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
24.07.2024	BUY	1.22	3.00	12 months	Guillermo Serrano
30.10.2024	BUY	1.10	3.00	12 months	Guillermo Serrano
05.02.2025	BUY	1.33	3.00	12 months	Guillermo Serrano

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