

### 12m 2021 Preliminary results

**Opinion** <sup>(1)</sup>: Above expectations

**Impact** <sup>(1)</sup>: We will have to raise our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

### Business description

FacePhi (FACE) is a small Spanish tech company, based in Alicante and created in 2012, specialising in the development and marketing of biometric software for facial recognition, with a strong focus on the financial sector (mainly in Latam: c. 85% of revenue). It has been listed on BME Growth since 2014.

### Market Data

Market Cap (Mn EUR and USD)	61.0	69.8
EV (Mn EUR and USD) <sup>(2)</sup>	61.7	70.7
Shares Outstanding (Mn)	15.1	
-12m (Max/Med/Min EUR)	5.33 / 4.28 / 3.66	
Daily Avg volume (-12m Mn EUR)	0.12	
Rotation <sup>(3)</sup>	51.7	
Factset / Bloomberg	FACE-ES / FACE SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%)

Salvador Martí Varó	8.7
Juan Alfonso Ortiz	7.7
Javier Mira Miró	7.5
José Cristóbal Callado Solana	6.1
Free Float	70.1

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	3.3	-7.6	8.6	560.7
vs Ibex 35	5.7	-1.4	4.3	620.3
vs Ibex Small Cap Index	8.3	-4.0	10.5	330.9
vs Eurostoxx 50	8.0	-2.1	-3.6	418.8
vs Sector benchmark <sup>(4)</sup>	15.1	11.1	1.9	264.2

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Technology.

(\*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

## A positive surprise in revenues, although with a structure that leaves EBIT (still) at breakeven

FACE has released preliminary 2021 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). Audited 2021 results will be released in April 2022 (when we will update our estimates). We highlight:

**A POSITIVE SURPRISE ON REVENUE (EUR 13.2Mn; +81% VS 2020)...** that recorded growth of 81% (vs 2020) and setting a new record for the company. This growth is a consequence of: (i) new clients (+60 in 2021 vs +22 in 2020), (ii) the capacity for licence renewal (reflecting the momentum of a sound revenue base), (iii) entry in new markets (although c. 85% of revenue still comes from Latam) and (iv) the application of the company's biometric solutions to sectors other than the financial one (e.g.: the signing of a contract with Aena for identity authentication in airports and the contract with Latam Airlines).

**... ACCOMPANIED BY AN IMPROVEMENT IN THE GROSS MARGIN.** The strong growth in sales has translated into a gross margin of EUR 11.4Mn (+92% vs 2020), an increase of c. 5p.p. (86.2% vs 80.8% in 2020 and 79.5% in 1H21) as a result of a smaller procurement of third party technology.

**AND SIGNIFICANT GROWTH IN ITS OPERATING STRUCTURE ...** With the aim of accelerating growth, FACE is enhancing its operating and commercial structure as reflected by: (i) significant growth in the headcount to over 175 employees at the 2021 close (vs 120 in 1H21 and c. 60 at the 2020 close), driving personnel costs to EUR 7.1Mn (vs EUR 3.2Mn in 2020) and (ii) growth in other operating costs to EUR 5.5Mn (vs EUR 3.4Mn in 2020).

**...PREVENTING (FOR NOW) BREAKEVEN IN EBIT,** that remains negative (EUR -0.5Mn vs EUR -0.4Mn in 2020) despite the capitalisation of work carried out by the company on its own assets (EUR 2.2Mn).

**THE EQUITY STORY REMAINS INTACT.** On paper, the biometrics sector offers an opportunity and FACE is well placed to make the most of this thanks to: (i) a strong competitive position in the financial sector (one of the most demanding in terms of security), (ii) a consolidated position in Latam (c. 85% of revenue), (iii) entry in big clients (Caixabank, Banco Santander...), (iv) the application of the company's solutions in sectors other than the financial one (e.g. travel and transport), (v) high operating leverage (that should allow it to squeeze the most out of any increase in revenue) and (vi) a financial structure that has the liquidity to accelerate growth (via an agreement with Nice & Green and a syndicated loan, both signed in Dec. 2020).

**AND NOW WHAT? 2022e** is a critical year for demonstrating FACE's capacity to scale up (and make profitable) its business and that leads us to upgrade our estimates: 2022e revenue c. EUR 17Mn? Mainly for two reasons: (i) the change of business model implemented in 2021 (from developing customised solutions for each client to an integrated solution under a "plug and play" model; something not yet visible in 2021 results) and (ii) underpinned by the operating and commercial structure developed in the last two years (and that should allow the company to "mathematically" aspire to margin increases with double-digit revenue growth). The CAGR for revenue (+43% since 2018, +26% since 2019) is a clear indication of strength.

---

## FacePhi (FACE) is a BME Growth company

---

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 130 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

## Appendix 1. Results table

EUR Mn	12m21		12m21 Real
	Real	12m20	vs 12m20
<b>Total Revenues</b>	<b>13.2</b>	<b>7.3</b>	<b>81.3%</b>
<b>Gross Margin</b>	<b>11.4</b>	<b>5.9</b>	<b>93.7%</b>
<i>Gross Margin/Revenues</i>	<i>86.2%</i>	<i>80.7%</i>	<i>5.5 p.p.</i>
<b>Recurrent EBITDA<sup>1</sup></b>	<b>-1.3</b>	<b>-0.3</b>	<b>n.a.</b>
<i>Rec. EBITDA/Revenues</i>	<i>-10.0%</i>	<i>-3.5%</i>	<i>-6.5 p.p.</i>
<b>EBITDA<sup>1</sup></b>	<b>-1.3</b>	<b>-0.3</b>	<b>n.a.</b>
<i>EBITDA/Revenues</i>	<i>-10.0%</i>	<i>-3.5%</i>	<i>-6.5 p.p.</i>
<b>EBIT</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-44.1%</b>

(1) Recurrent EBITDA and EBITDA adjusted to exclude the capitalisation of work carried out by the company on its own assets (EUR 2.2Mn and EUR 1.1Mn in 2021 and 2020, respectively).

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	61.0	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	0.6	6m Results 2021
+ Net financial debt	0.4	6m Results 2021
- Financial Investments	0.3	6m Results 2021
+/- Others		
<b>Enterprise Value (EV)</b>	<b>61.7</b>	

## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

### LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

### DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

### Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address [secretaria@ieaf.es](mailto:secretaria@ieaf.es) or consult the contents of this Code at [www.ieaf.es](http://www.ieaf.es).

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

### A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

**United States.** IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

**Major US Institutional Investors.** This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
08-Feb-2022	n.a.	4.03	n.a.	n.a.	12m 2021 Preliminary results	David López Sánchez
27-Jul-2021	n.a.	4.65	n.a.	n.a.	6m 2021 Preliminary results	David López Sánchez
10-May-2021	n.a.	3.84	n.a.	n.a.	12m Results 2020 - Estimates downgrade	David López Sánchez
01-Feb-2021	n.a.	4.40	n.a.	n.a.	12m 2020 Preliminary results	David López Sánchez
27-Jul-2020	n.a.	6.42	n.a.	n.a.	Estimates downgrade	David López Sánchez
07-May-2020	n.a.	5.54	n.a.	n.a.	Review of estimates	David López Sánchez
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m 2019 Preliminary results	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initiation of Coverage	David López Sánchez

