

### 6m 2021 Preliminary results

**Opinion** <sup>(1)</sup>: In line

**Impact** <sup>(1)</sup>: We will maintain our estimates

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### 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)	70.4	83.0
EV (Mn EUR and USD) <sup>(2)</sup>	70.8	83.6
Shares Outstanding (Mn)	15.1	
-12m (Max/Med/Min EUR)	6.76 / 4.98 / 3.66	
Daily Avg volume (-12m Mn EUR)	0.26	
Rotation <sup>(3)</sup>	93.1	
Factset / Bloomberg	FACE-ES / FACE SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%)

Salvador Martí Varó	8.7
Juan Alfonso Ortiz	7.8
Javier Mira Miró	7.6
José Cristóbal Callado Solana	6.1
Free Float	69.9

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-11.8	14.8	-27.6	326.6
vs Ibex 35	-8.5	13.9	-39.8	316.2
vs Ibex Small Cap Index	-8.4	16.5	-47.2	124.3
vs Eurostoxx 50	-11.4	12.5	-41.5	209.8
vs Sector benchmark <sup>(4)</sup>	-15.0	9.2	-44.7	103.8

(2) 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).

(3) Please refer to Appendix 1.

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

(5) vs Stoxx Europe 600 Technology.

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

## Volume growth is no longer a challenge but exceeding breakeven in EBIT is

FACE has released preliminary 1H21 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). We highlight:

**THE RECOVERY OF REVENUE GROWTH (REVENUE: +60% VS 1H20)...** with a sharp increase in activity in 1H21 taking the sales figure to EUR 4.2Mn (+60% vs 1H20). This increase is a consequence of: (i) the recovery of demand that had been held back by the restriction of commercial activity in 2020, (ii) entry in new markets (Nigeria, Vietnam and Chile) and (iii) the use of the company's biometric and digital onboarding solutions in sectors other than finance (with the signing of a first contract with an airline in Latam).

**... ALTHOUGH THIS HAS REQUIRED A MUCH HEAVIER OPERATING STRUCTURE (OPERATING COSTS: +75% VS 1H20).** To accelerate growth, FACE has needed a larger operating and commercial structure. Specifically, we highlight: (i) the increase in the headcount to over 120 employees (vs 60 at the 2020 close and 30 in 2019!), driving personnel costs to EUR 2.5Mn (+68% vs 1H20) and (ii) growth in other operating costs to EUR 2.2Mn (+83% vs 1H20), mainly because of sales commissions through partners, the increase in support costs in Latam and higher spending on marketing.

**PREVENTING AN IMPROVEMENT IN EBIT**, that remains negative (EUR -1.3Mn vs EUR -0.9Mn in 1H20) and was impacted in 1H21 by a c. EUR 0.4Mn increase in the expense for the amortisation of intangibles.

**MIXED RESULTS.** On the one hand, revenue did better than expected (now it is possible to imagine 2021e revenue of, at least, EUR 10.5Mn; vs our estimate of EUR 9.5Mn). But on the other, the increase in the operating structure points to personnel and other operating costs of EUR 9.5Mn for 2021e (vs EUR 6.6Mn in 2020). The means that now EBITDA breakeven will require revenue of c. EUR 11Mn (vs EUR 7.3Mn in 2020).

**AND NOW WHAT?** These preliminary results resolve the challenge of growth in volume. But now the key lies in the margin. We will take advantage of the publication of audited 1H21 results to tweak our estimates as follows: (i) more revenues (EUR 11Mn? 2021e EV/Sales of c. 6.5x vs 6x for the sector), but with (ii) a much heavier cost structure that will maintain our scenario of EBITDA at breakeven until, at least, 2023e.

Table 1. 1H21 Preliminary Results

EUR Mn	6m21 Real	6m20	6m21 Real vs 6m20
Total Revenues	4.2	2.6	60.5%
Gross Margin	3.3	1.7	97.5%
Gross Margin/Revenues	79.2%	64.4%	14.8 p.p.
Recurrent EBITDA <sup>1</sup>	-1.3	-1.0	-37.7%
Rec. EBITDA/Revenues	-32.2%	-37.5%	5.3 p.p.
EBITDA <sup>1</sup>	-1.3	-1.0	-37.7%
EBITDA/Revenues	-32.2%	-37.5%	5.3 p.p.
EBIT	-1.3	-0.9	-36.9%

(1) Rec. EBITDA excludes capitalised expenses (EUR 0.8Mn and EUR 0.4Mn in 1H21 and 1H20, respectively)

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## FacePhi (FACE) is a BME Growth company

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

	EUR Mn	Source
Market Cap	70.4	
+ Minority Interests	-	12m Results 2020
+ Provisions & Other L/T Liabilities	0.1	12m Results 2020
+ Net financial debt	0.5	12m Results 2020
- Financial Investments	0.2	12m Results 2020
+/- Others		
<b>Enterprise Value (EV)</b>	<b>70.8</b>	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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

