

12m 2023 Preliminary results

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Business description

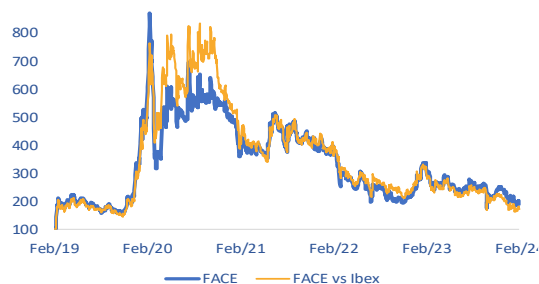
FacePhi (FACE) is a Spanish tech company based in Alicante and with offices in South Korea, Uruguay and the UK. It specialises in the development and marketing of software for identity authentication via digital onboarding solutions and biometric authentication. It is present in Latam (today its main market) and has a strong position in the financial sector

Market Data

Market Cap (Mn EUR and USD)	42.2	45.5
EV (Mn EUR and USD) ⁽²⁾	57.9	62.5
Shares Outstanding (Mn)	21.3	
-12m (Max/Med/Mín EUR)	3.29 / 2.51 / 1.81	
Daily Avg volume (-12m Mn EUR)	0.07	
Rotation ⁽³⁾	45.3	
Factset / Bloomberg	FACE-ES / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Nice&Green	18.7
Salvador Martí Varó	4.9
Javier Mira Miró	2.1
Juan Alfonso Ortiz Company	0.7
Free Float	73.6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-3.9	-17.5	-39.8	92.2
vs Ibex 35	-0.8	-21.6	-43.8	72.0
vs Ibex Small Cap Index	0.4	-20.8	-33.8	64.0
vs Eurostoxx 50	-8.6	-26.0	-45.8	27.8
vs Sector benchmark ⁽⁴⁾	-17.5	-34.0	-51.5	-4.9

(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.

Better-than-expected 2H23, leaving Rec. EBITDA for 2023 at EUR -0.7Mn (vs EUR -5Mn in 1H23)

FACE has released preliminary 2023 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). Audited results will be released in April 2024. We highlight:

SHARP GROWTH IN REVENUE, TO EUR 30.1MN (+35% VS 2022)... FACE delivered revenue of EUR 30.1Mn in 2023 (vs EUR 9.7Mn and EUR 22.3Mn in 1H23 and FY 2022, respectively). Driving the increase were: (i) the company's strong ability to retain customers (making for a sound recurring revenue base) and (ii) the opening of new subsidiaries and a stronger foothold in LATAM and EMEA. The company also launched new products on the market and offered new features in 2023 (e.g. behavioural biometrics and ID wallet).

ALONGSIDE EXPANSION IN GROSS MARGIN. The leap in sales fed through to growth in gross margin to EUR 26.8Mn (+40% vs 2022), with a 3.3p.p. increase in the gross margin/sales ratio to 89% (vs 80.3% and 85.7% in 1H23 and 2022, respectively).

DESPITE THE JUMP IN OVERHEAD, RECURRING EBITDA REACHED EUR -0.7MN (UNDERPINNED BY A SOLID RECOVERY IN 2H23). Overhead rose considerably and outstripped revenue growth, totalling EUR 27.5Mn (vs EUR 12.7Mn and EUR 18.7Mn in 1H23 and 2022, respectively). Sharp headcount growth to enable FACE's expansion strategy is the main factor behind this trend (264 employees today compared to 205 at year-end 2022 and 159 at year-end 2021). The sales teams across the LATAM, APAC and EMEA subsidiaries were bolstered significantly. As a result, recurring EBITDA was EUR -0.7Mn (vs EUR -5.0Mn and EUR 0.4Mn in 1H23 and 2022, respectively), helped by the strong operational leverage seen in 2H23 (obtaining a return on its hefty investment in the commercial segment).

FINANCED VIA RIGHTS ISSUES. With net debt ending 1H23 at EUR 15.8Mn (vs EUR 9.0Mn in 2022), recurring EBITDA for 2023 below breakdown and the company's hefty working capital requirement we would not be surprised if the company continued to meet its funding needs with solutions involving equity (e.g. conversion of instruments into shares, thereby giving rise to dilution). In May 2023, FACE reached a EUR 20Mn investment agreement with Nice & Green entailing a new convertible bond financing facility.

AND NOW WHAT? THE STRONG OPERATIONAL LEVEL WITNESSED IN 2H23 BODES WELL FOR CONSIDERABLE IMPROVEMENT IN MARGINS AS EARLY AS IN 2024E.

FACE boasts a business model that is scalable and exposure to megatrends (e.g. biometric technology applied to digital ID protection), which should enable it to deliver double-digit revenue growth in the coming years. In our view, 2024e and 2025e will be "key" years for the company to showcase its ability to profit from this growth (based on the operating structure in place, as seen in 2H23), enabling it to keep recurring EBITDA in the black. This alone is FACE's equity story. And it should spark a rally by the stock, However, looking at its share price performance (-39.8% over the past 12 months), this market has yet to fully see and price this in. This is why 2024e-2025e is so important for unlocking and lending visibility to this potential. And having this reflected in the share price.

Facephi (FACE) is a BME Growth company

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Appendix 1. Results table

EUR Mn	12m23		12m23 Real		2H23 vs	
	Real	12m22	vs 12m22	2H23	2H22	
Total Revenues	30.1	22.3	35.0%	20.4	41.7%	
Gross Margin	26.8	19.1	40.2%	19.0	50.3%	
<i>Gross Margin/Revenues</i>	<i>89.0%</i>	<i>85.7%</i>	<i>3.3 p.p.</i>	<i>93.1%</i>	<i>5.3 p.p.</i>	
Recurrent EBITDA¹	-0.7	0.4	n.a.	4.3	142.8%	
<i>Rec. EBITDA/Revenues</i>	<i>-2.5%</i>	<i>1.6%</i>	<i>-4.1 p.p.</i>	<i>20.8%</i>	<i>8.7 p.p.</i>	
EBIT	-1.3	1.7	-173.6%	2.8	24.7%	

(1) Note 1: Recurrent EBITDA adjusted to strip out the impact of capitalised expenses (EUR 3.8Mn and EUR 4.2Mn in 2022 and 2023, respectively; with no impact on cash flow) and other results (EUR 0.3Mn and EUR 0.5Mn in 2022 and 2023, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	42.2	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	0.2	6m Results 2023
+ Net financial debt	15.8	6m Results 2023
- Financial Investments	0.2	6m Results 2023
+/- Others		
Enterprise Value (EV)	57.9	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
12-Feb-2024	n.a.	1.98	n.a.	n.a.	12m 2023 Preliminary results	Enrique Andrés Abad, CFA
03-Oct-2023	n.a.	2.41	n.a.	n.a.	6m Results 2023	Enrique Andrés Abad, CFA
12-Jun-2023	n.a.	2.52	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
04-May-2023	n.a.	2.95	n.a.	n.a.	12m Results 2022	David López Sánchez
09-Feb-2023	n.a.	3.48	n.a.	n.a.	12m 2022 Preliminary results	David López Sánchez
05-Aug-2022	n.a.	2.62	n.a.	n.a.	6m 2022 Preliminary results	David López Sánchez
17-May-2022	n.a.	2.66	n.a.	n.a.	Estimates upgrade	David López Sánchez
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

