BUY

FACEPHI

SPAIN | INFORMATION TECHNOLOGY

Facing the tipping point; initiating with a Buy

Price (€)	1.60
Target Price (€)	2.00
Target Return	25.0%
Ticker	FACE SM
Shares Out (m)	23
Market Cap (€m)	36

Key Estimates	2023a	2024e	2025e
P/E (x)	nm	nm	nm
P/CF (x)	118.9	nm	9.8
EV/EBITDA (x)	nm	nm	12.1
P/BV (x)	2.8	1.6	1.5
Div yield (%)	0.0	0.0	0.0

Performance (%)	1D	1M	YTD
Price Perf	0.0	-5.0	-20.0
Rel IBEX 35	0.4	-8.3	-32.5

Source: Company data, FactSet and JB Capital estimates

We initiate coverage of Facephi with a Buy rating and a €2.0/shr target price. Facephi is a technology company specialising in software development for digital identity verification, authentication and onboarding solutions. It has established itself as a key player within the financial services industry and is actively diversifying into new markets such as travel and public administration. The biometric market is expected to grow close to 20% over the next 10 years, and we believe Facephi is well positioned to capture this opportunity following investments made in 2020-23. We expect EBITDA to turn positive in 2025 and then grow 20% on average between 2026 and 2031. At the same time, valuation seems undemanding (2026e EV/EBITDA of 6.4x) compared with its peers' average (2026e EV/EBITDA of 10x). We expect Facephi to reduce its debt over the next few years, with EBITDA growth leading to an ND/EBITDA of 1x by 2027 (vs 3x in 2025), while the ongoing financial backing of its main shareholder mitigates the short-term liquidity risk as FCF should remain negative in 2025 before turning positive in 2026.

Strong sector tailwinds: The biometric identity verification market is expected to see c. 20% CAGR in 2023-34, driven by the digital transformation of businesses and increasing regulatory demand for secure digital identity solutions. In the financial sector – from where Facephi generates c. 95% of its revenues – biometrics enhance customer onboarding, mobile security and transaction processes. In addition, expansion of biometrics into new industries (such as transportation, healthcare and defence) presents a compelling opportunity as technology penetration continues to rise.

Business model is potentially compelling: Facephi operates a scalable business model based largely on licensing its proprietary biometric technology to B2B companies, resulting in strong gross margins (c. 85% of sales). The company integrates its solutions into clients' workflow to create significant switching costs – as transitioning to another provider would require re-auditing and re-certifying processes to comply with regulatory standards. These dynamics establish barriers to entry and reinforce customer retention.

Unlocking strong growth and margin expansion: We forecast 18.5% CAGR for sales in 2024-28, with a strong uptick in 2025 (+30% YoY) driven by geographic expansion. We expect Facephi to maintain strong gross margins, supported by full ownership of the software, and keep personnel costs under control after the significant capacity expansion in 2020-23. This should help the company achieve significant operating leverage amid double-digit top-line growth, enabling it to turn EBITDA positive in 2025, with an outlook for sustained margin expansion thereafter, reaching an EBITDA of €10m by 2027 (20% EBITDA margin).

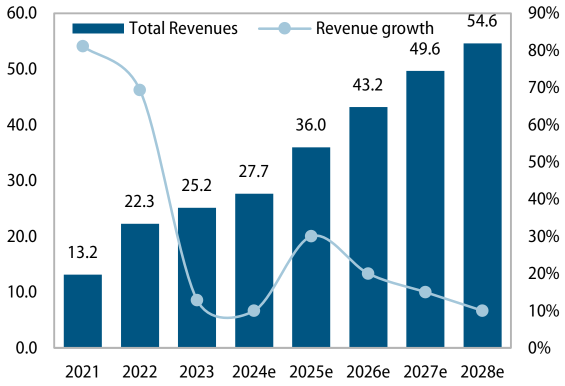
Catalysts and risks: Key catalysts include: i) results delivery, confirming Facephi's top-line growth and consequent margin improvement potential; and ii) announcements regarding new clients and strategic partnerships in regions such as APAC and EMEA. On the other hand, we also see the following risks: i) competition and commercial risks (as everything revolves around the ability to capture strong growth and leverage on its current structure); ii) exposure to emerging markets; iii) debt refinancing, with the syndicated loan maturing in 2025; and iv) potential additional dilution – given the stage of the business, access to new capital may require additional equity.

David López Sánchez
dlopez@jbcapital.com
+34 91 769 1164

Sales / Trading
equity.sales@jbcapital.com
equity.trading@jbcapital.com
+34 91 788 6962

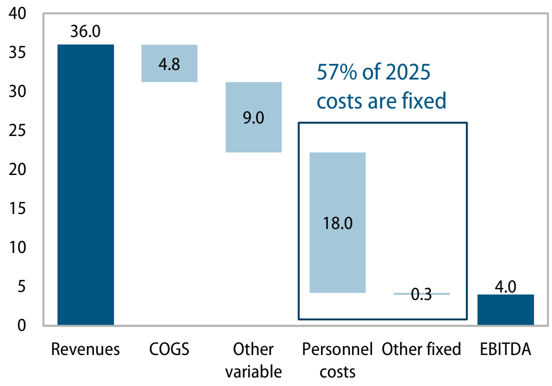
Facephi in six charts

Expect 18.5% revenue CAGR in 2024-28 on the back of growing demand for biometrics



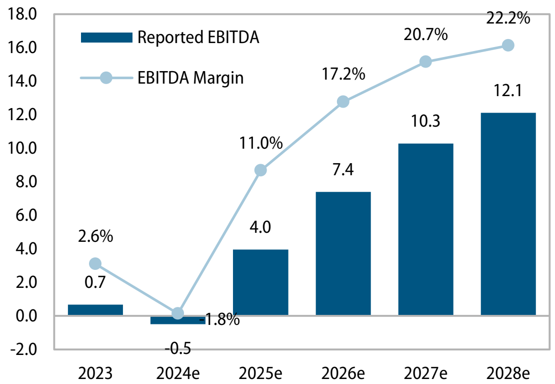
Source: Company data and JB Capital estimates

High fixed costs (c. 60% of 2025e total costs) should enable Facephi to leverage growth in existing structure



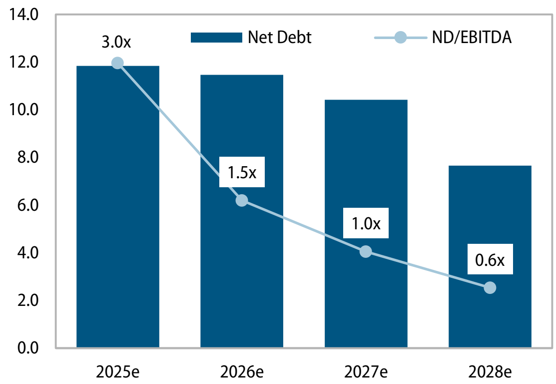
Source: JB Capital estimates

Margin expansion driven by a scalable business model (should surpass EBITDA breakeven in 2025)



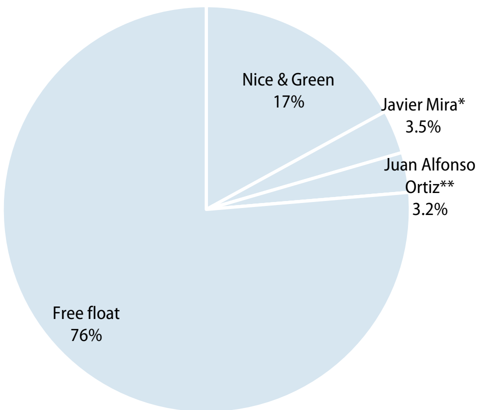
Source: Company data and JB Capital estimates

Tight liquidity in 2025, although momentum in EBITDA should bring leverage down to 1x in 2027e



Source: JB Capital estimates

Nice & Green is the largest shareholder, with founding partners holding c. 11%* and key management roles



*Source: Company data. Note: * Stakes considering shares lent as collateral to Nice & Green. For fully diluted structure, refer to page 22.*

Our valuation offers a 25% upside to current prices (fully diluted) including a 20% liquidity discount

	EV	EV/EBITDA		EV/EBIT	
	€m	**2025e**	**2026e**	**2025e**	**2026e**
EV	**76**	19.1x	10.2x	n.a.	36.8x
(-) Net debt 24e	8.3				
Equity (€m)	**67**				
Current Nº of Shares (m shares)	22.6				
Hancom shares (m shares)	1.7				
Nice & Green shares (m shares)	2.7				
Treasury Stock (m shares)	0.4				
Fair Value (€/Shr)	**2.5**				
(-) 20% Liquidity discount (€/shr)	-0.5				
Target Price (€/Shr)	**2.0**				
vs Last Price	25%				

Source: JB Capital estimates. DCF Assumptions: 10% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".

In this note, we:

- **Analyse Facephi's valuation and upside potential (page 5).** Our DCF valuation results in a valuation of €2.0/shr, which we set as our target price – it represents a 25% upside including a 20% liquidity discount. We also look at Facephi's main peers' trading multiples (page 6). Facephi sits at 6.4x EV/EBITDA for 2026 (vs the 10x average for its main peers), when we expect a normalized margin profile driven by strong revenue growth (25% CAGR in 2024e-26e) and the resulting operating leverage. In addition, given the ongoing market consolidation, we believe Facephi is a potential M&A target, particularly as no single shareholder holds a controlling stake.

- **Explain why we believe Facephi is entering a high-growth stage (page 9).** We discuss our financial estimates in detail, focusing on key drivers that explain why we believe the company is well positioned to continue growing its top line at double-digit rates – as everything revolves around its ability to capture strong growth and leverage its current structure (as c.60% of its total costs are fixed).
- **Assess key risks to our positive stance (page 12),** including: i) execution risks tied to margin expansion; ii) exposure to emerging markets (LatAm and APAC); and iii) the need for refinancing the syndicated loan signed in 2020 and maturing in 2025 for an outstanding amount of €9m.

- **Discuss Facephi in general, and its business model in particular (page 13),** focusing on key products, geographical exposure and ongoing expansion into APAC and EMEA supported by strategic partnerships to accelerate growth (with third party salesforce). We also review its recent financial performance, capital structure and shareholding structure.

- **Dive deep into the biometrics industry (page 24),** exploring how rising demand for secure digital onboarding, increasing regulatory requirements (e.g., KYC/AML) and expanding digital transformation in banking and fintech are driving sector growth. We also discuss Facephi's potential to diversify into new verticals, analysing the dynamics of markets such as transportation, healthcare and public administration

Main financials

What does Facephi do? Facephi is a technology company specialising in digital identity verification, authentication and onboarding solutions. Its software suite has expanded over the years to include multi-modal biometric capabilities that combine facial, fingerprint and voice recognition with liveness detection and document verification and a highly customizable digital identity platform. These capabilities underpin applications in eKYC (electronic Know Your Customer) processes, digital onboarding and multi-factor authentication. Over the past decade, the company has established itself as a key player within the financial services industry – a sector where it has achieved significant market penetration. Facephi's traditional market has been LatAm – where it initially established its customer base – accounting for c. 94% of total sales.

Compelling business model: Facephi operates a scalable business model based largely on licensing its proprietary biometric technology to B2B companies. In addition, Facephi's solutions are integrated into its clients' existing workflows. This approach generates significant switching costs – such as the need for re-auditing and re-certifying processes to meet regulatory standards. These switching costs create high barriers for new entrants and reinforce Facephi's strong customer-retention capabilities.

Double-digit revenue growth: We believe Facephi is well positioned to capitalize on biometric market opportunities, driven by digital transformation and increasing regulatory demand for secure digital identity solutions. Specifically, we expect Facephi's revenues to see 18.5% CAGR in 2024-28, supported mainly by: i) continued geographic expansion; ii) product diversification; iii) growing demand for biometrics in the financial services industry; and iv) expansion into new markets.

Facephi's P&L

€m	2023	2024e	2025e	2026e	2027e	2028e	*24e/28e CAGR*
Total Revenues	**25.2**	**27.7**	**36.0**	**43.2**	**49.6**	**54.6**	***18.5%***
COGS	-3.4	-4.0	-4.8	-5.8	-6.7	-7.3	*16.3%*
Personnel expenses	-13.6	-16.9	-18.0	-18.8	-20.5	-21.7	*6.4%*
Other operating expenses	-8.8	-7.7	-9.3	-11.1	-12.2	-13.5	*14.9%*
EBITDA	**-0.6**	**-1.0**	**4.0**	**7.4**	**10.3**	**12.1**	***nm***
EBITDA Margin (%)	0.0	0.0	0.1	0.2	0.2	0.2	*nm*
D&A & Others	-4.8	-5.1	-5.0	-5.3	-5.6	-5.9	*3.6%*
EBIT	**-5.4**	**-6.1**	**-1.1**	**2.1**	**4.7**	**6.2**	***nm***
EBIT Margin (%)	-0.2	-0.2	0.0	0.0	0.1	0.1	*nm*
Financial result	-1.7	-0.9	-0.7	-0.7	-0.7	-0.7	*-6.2%*
Tax expense	2.7	1.1	0.4	-0.3	-1.0	-1.4	*nm*
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	*nm*
Net income Common Shr.	**-4.3**	**-5.9**	**-1.3**	**1.0**	**3.0**	**4.1**	***nm***

Source: Company data and JB Capital estimates

Facephi's cash flow statement

€m	2023	2024e	2025e	2026e	2027e	2028e	*24e/28e CAGR*
EBITDA	**-0.6**	**-1.0**	**4.0**	**7.4**	**10.3**	**12.1**	***nm***
Taxes Paid	0.0	1.1	0.4	-0.3	-1.0	-1.4	*nm*
Interest Paid/Received	-0.8	-0.9	-0.7	-0.7	-0.7	-0.7	*-6.2%*
WC Change	0.7	-2.7	-1.5	-0.4	-1.4	-1.1	***nm***
Capex	-9.9	-5.8	-5.8	-5.6	-6.2	-6.2	*-1.9%*
Acquisitions and other	1.6	0.0	0.0	0.0	0.0	0.0	*nm*
FCF	**-9.0**	**-9.3**	**-3.6**	**0.4**	**1.0**	**2.8**	***nm***
Capital increase	8.0	8.6	2.6	0.0	0.0	0.0	*nm*
Net Debt Issuance/(Repayment)	1.6	0.6	1.0	0.0	0.0	0.0	*nm*
Net increase/decrease in cash	**0.6**	**0.0**	**0.0**	**0.4**	**1.0**	**2.8**	***nm***

Source: Company data and JB Capital estimates

Margin expansion story: With an expected 18.5% 2024-28 top-line growth CAGR – supported by strong growth in 2025 and 2026 due to expansion into new geographies – Facephi's story is that of margin expansion. While gross margin may not vary so much (gross margin c.85%), as the company owns its software, it expects to keep personnel costs under control after the significant capacity expansion in 2020-23. Such a position should enable Facephi to achieve significant leverage with double-digit top-line growth, thereby reaching an EBITDA of €4m in 2025 (11% EBITDA margin), with an outlook for sustained margin expansion thereafter – reaching an EBITDA of €10m by 2027 (20% EBITDA margin) vs breakeven in 2024.

Unlocking positive FCF generation in 2026e: Although cash generation should remain weak in 2024 and 2025 as Facephi is still ramping up the investments recently made, we expect cash generation to surpass breakeven by 2026 and become positive from 2027, as we forecast €1m in FCF, rising to c.€3m in 2028 (8% FCF yield in 2028).

Tight liquidity in 2025, although momentum in EBITDA should reduce leverage to 1x in 2027: We anticipate liquidity will remain tight in 2025, with Facephi expected to consume c. €3.5m. Thus, we believe it will continue to secure additional financing through shareholder loans (granted by its main shareholder) before turning FCF-positive in 2026. Regarding net debt evolution, although net debt will continue to be affected by the growth stage of the business, the estimated growth in EBITDA means Facephi's leverage should decline from 3x in 2025 to 1.5x in 2026 (and to 1x by 2027).

Facephi's debt and leverage

€m	2023	2024e	2025e	2026e	2027e	2028e
Net Debt	10.3	10.9	11.8	11.5	10.4	7.7
Net Debt (ex convertibles)	9.0	8.3	11.8	11.5	10.4	7.7
Interest Cost	-1.7	-0.9	-0.7	-0.7	-0.7	-0.7
Average Cost of Gross Debt	13%	8%	8%	7%	7%	7%
ND/EBITDA	nm	nm	3.0x	1.5x	1.0x	0.6x
EBITDA/Financial expenses	-0.4x	-1.1x	5.4x	11.0x	15.3x	18.1x

Source: Company data and JB Capital estimates

Reassuring 1H24 results confirm growth story: Facephi reported 1H24 revenues of €11.7m (+20% YoY) – a record first-half performance. Annual Recurring Revenue (ARR) reached €27.4m (+25.7% YoY), reinforcing growth visibility through subscription-based income. Adjusted 1H24 EBITDA (excluding €1.1m of extraordinary expenses) stood at -€2.1m (vs -€2.3m in 1H23), reflecting Facephi's typical seasonality, with over 60% of annual revenues historically generated in 2H.

Key catalysts and risks: Key catalysts include: i) Results delivery, confirming the company's top-line growth and consequent margin improvement potential; ii) announcements regarding new clients, demonstrating increasing penetration; and iii) strategic partnerships to accelerate growth in regions such as APAC and EMEA. On the other hand, we see the following risks to our positive stance: i) Competition and commercial risks (as everything revolves around the ability to capture strong growth and leverage in its current structure); ii) exposure to emerging markets; iii) syndicated loan refinancing; and iv) potential dilution – given the stage of the business, access to new capital may require additional equity.

Valuation

We initiate coverage of Facephi with a Buy rating and a €2.0/shr target price (25% upside). We value Facephi through a discounted cash flow (DCF) methodology as we believe it is the most appropriate valuation technique to capture its expected top-line growth and profitability expansion.

Our DCF model includes explicit free cash flow forecasts up to 2031. We use a discount rate (WACC) of 10% for the explicit period and for the terminal value. As for long-term growth rate, we assume 2%. We reach an enterprise value (EV) of €76m, from which we subtract the 2024 Net Debt of €8.3m (excluding convertibles and shareholding loans). We adjust the number of shares to reflect the dilution arising from convertibles drawn (€0.6m) and shareholding loans (€3.8m with Nice & Green and €5m with Hancom). Last, we adjust a 20% standard liquidity discount, given Facephi's reduced size and trading volume (€40k/day over the past 12 months). **We reach an Equity Value of €55m for an end-2025 target price of €2.0/shr (25% upside).**

Facephi DCF valuation

DCF Analysis	2025e	2026e	2027e	2028e	2029e	2030e	2031e	T. Value
FCFF	**-3.0**	**0.9**	**1.6**	**3.3**	**4.6**	**6.3**	**8.0**	**8.9**
Discount factor	1.0	1.1	1.2	1.3	1.5	1.6	1.8	1.8
PV FCFF	**-3.0**	**0.8**	**1.3**	**2.4**	**3.2**	**3.9**	**4.5**	**5.0**
EV (25e-31e)	13.1	17%						
EV - Terminal value	62.6	83%						
Total EV	**75.7**							
(-) Net debt 24e (ex-convertibles)	8.3							
Total Equity	**67.4**							
Current Nº of Shares (m shares)	22.6							
Hancom convertible shares (m shares)	1.7	€5m at €2.95/shr						
Nice & Green shareholder loan (August)	1.1	€1.8m at €1.63/shr						
Nice & Green shareholder loan (October)[1]	1.3	€2m at 103% of the VWAP of reference (Maturing in 2025)						
Nice & Green Convertible[1]	0.4	€0.6m at 92% of the VWAP (Maturing in 2025)						
Treasury Stock	0.4							
Fair Value (€/Shr)	**2.5**							
(-) Liquidity disc (20%)	-0.5							
Target Price (€/Shr)	**2.0**							

DCF Assumptions: 10% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".
Note 1: For valuation purposes, we use current market prices to estimate the VWAP and resulting share issuance. However, the actual VWAP and resulting number of shares will vary depending on the share price at the time of conversion.
Source: JB Capital estimates

Facephi implicit valuation multiples at a target price of €2.0/share

DCF valuation implicit multiples	2025e	2026e	2027e	2028e
EV/Sales	2.1x	1.8x	1.5x	1.4x
EV/EBITDA	19.1x	10.2x	7.4x	6.2x
EV/EBIT	n.a.	36.8x	16.0x	12.2x
P/E	n.a.	64.4x	22.0x	16.1x
FCF yield	-7%	1%	2%	5%

Source: JB Capital estimates

Sensitivity to WACC and terminal growth rates: We value Facephi's business with a long-term discount rate (WACC) of 10% and a long-term growth rate of 2%. The following table shows the results of our sensitivity analysis to different valuation assumptions for the WACC and long-term growth "g", used to calculate our Terminal Value.

Sensitivity of our TP to changes in WACC and terminal growth rates

		Changes to Terminal Growth Rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC Changes	11.0%	1.6	1.7	1.8	1.9	2.1
	10.5%	1.7	1.8	1.9	2.0	2.2
	10.0%	1.8	1.9	2.0	2.2	2.3
	9.5%	1.9	2.0	2.2	2.3	2.5
	9.0%	2.0	2.2	2.3	2.5	2.7

Source: JB Capital estimates

Peer group

What are the right comparables? Facephi is Spain's leading user identification technology provider, specialising in digital onboarding and biometric authentication solutions. Technological differences between user identification providers make the comparison complex, as there is no pure-listed comparable peer for Facephi, given the differences in size, line of activity and geographical footprint, among other factors. Regarding trading comparables, we look at software companies focused on enhancing digital security through identity verification and authentication with exposure to biometric technologies and a global presence. The following figure lists players using such a criteria.

Facephi comparable multiples

	FX	Mkt Cap	P/E (x)			EV/Sales			EV/EBITDA			Sales CAGR
		€m	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024-26e
Facephi (JB Capital est.)	**EUR**	**36**	**--**	**--**	**34.8**	**1.7**	**1.3**	**1.1**	**--**	**12.1**	**6.4**	**25%**
Thales SA	EUR	28,317	16.5	14.6	12.9	1.6	1.5	1.4	10.5	9.5	8.8	7%
Clear Secure Inc.	USD	3,856	22.9	21.3	17.9	4.6	4.0	3.6	19.1	15.6	13.1	12%
Elan Microelectronics Corp.	TWD	1,372	16.5	14.9	12.9	3.4	3.1	2.8	13.0	11.3	10.1	11%
GB Group	GBp	1,115	24.3	21.3	18.7	3.6	3.4	3.2	15.4	14.3	13.3	6%
Secunet Sec. Networks	EUR	767	26.4	24.5	21.4	1.9	1.8	1.6	12.3	11.5	10.3	8%
OneSpan	USD	676	14.4	13.8	13.6	2.7	2.6	2.4	9.6	9.0	8.4	5%
Egis Technology Inc.	TWD	509	--	31.5	17.9	5.2	4.3	3.8	--	--	--	18%
Mitek Systems	USD	402	11.5	11.0	8.6	2.6	2.5	2.2	11.1	9.9	7.9	8%
Precise Biometrics	SEK	37	--	--	--	4.9	3.9	3.4	27.5	14.9	10.4	20%
Fingerprint Cards	SEK	26	--	--	--	0.6	1.3	1.3	--	--	11.7	--
Average			18.9	19.1	17.6	3.0	2.7	2.4	14.8	12.0	10.0	12%

Source: Bloomberg as of date 10/12/2024

Among the smaller listed comparables (market capitalization <US$1bn), we believe the following companies offer products and services similar to Facephi:

- **GB Group (€1.1bn market cap)** provides digital identity, location, fraud and compliance solutions. Its offering is tailored to fit every stage of the customer journey, from onboarding to ongoing interactions, and it is powered by world-class data and proprietary technology. The group is based in the UK.

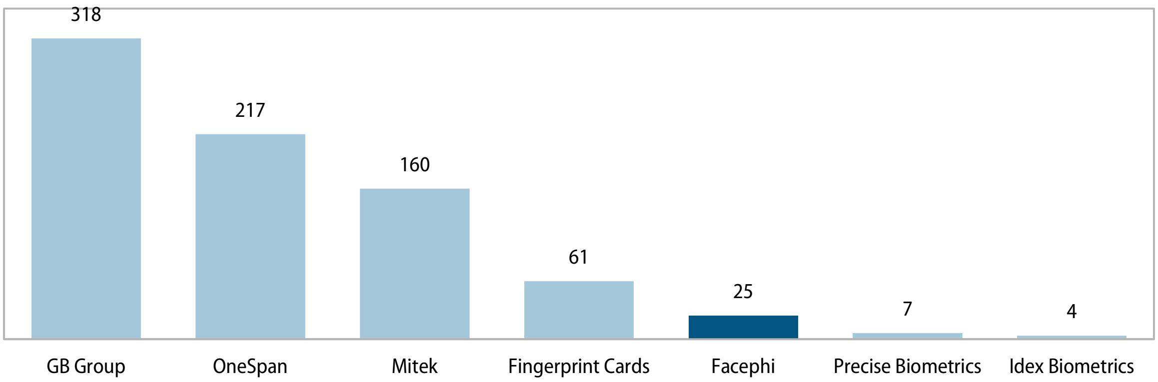
- **OneSpan (€676m market cap)** offers high-assurance identity verification, transaction signing, authentication, mobile security, simplified e-signature workflows and secure video collaboration for virtual transactions. The group is based in the US but operates in 100 countries.

- **Mitek (€402m market cap)** is based in the US and specializes in identity verification, authentication, biometrics, image capture and fraud detection. Its products are designed for onboarding processes as they help in instant identity verification and provide defence against rising threats such as fraud and deepfakes.

- **Precise Biometrics (€37m market cap)** provides fingerprint, face and palm recognition solutions, along with access and visitor management systems. Its technologies are used in mobiles, laptops, security tokens, smart locks, automotive applications and physical access control devices. It is headquartered in Sweden.

- **Fingerprint Cards (€26m market cap)** is a Swedish biometrics company specializing in secure identification solutions for smartphones, payment cards, PCs and more. Listed on Nasdaq Stockholm, it operates globally with offices in multiple countries.

FY23 sales of small cap peer group (€ m)



Source: Bloomberg

The list of comparables widens slightly when including companies with a larger size (>US$1bn). These include Thales (through its subsidiary ex-Gemalto) and Clear Secure (specializing in secure identity verification using biometrics to streamline processes from airports security to arenas, offices and online).

Facephi currently trades at 12.1x EV/EBITDA 2025 in our estimates (broadly in line with the 12x average of its main peers. However, we view 2025 as a transitional year, as EBITDA margins remain affected by the significant expansion of the company's structure undertaken in 2023 and 2024. By 2026 we expect a more normalized margin profile as the company begins to fully leverage the anticipated strong growth within its existing structure. This results in a 2026 EV/EBITDA of 6.4x, which is well below the 10x average of its main peers (and the 10.2x implicit in our valuation). In terms of EV/Sales, Facephi trades at 1.3x 2025 sales (vs 2.7x of its main peers and vs average 3x paid in recent transactions).

Regarding non-listed companies, we highlight the following as Facephi's main competitors:

- **Gemalto –** Acquired by Thales in 2019 for €5.5bn (or 1.7x EV/Sales; 10x EV/EBITDA), Gemalto is one of the biggest names in identity solutions, offering a broad portfolio that includes biometric systems and secure digital identity management.

- **Onfido –** A UK-based company recently acquired by Entrust (global leader in payments and data security) for c. $650m (or 4.5x EV/sales). It focuses on identity verification with an emphasis on AI-powered document and biometric verification.

- **Idemia –** A private company based in France with a leading position in augmented identity solutions based on biometric identification systems that include face recognition, video analytics, DNA identification and scanners. With revenues of €2.8bn in 2023, Idemia's more-than-15,000 employees serve global customers in finance, mobile communications, consumer services and government verticals.

- **Daon –** A US-based company that focuses on biometric authentication and identity verification technologies, particularly in the payments and mobile security sectors. Its solutions include face recognition, fingerprint verification and voice biometrics. Its identity management platform, IdentityX, is used in industries such as financial services, healthcare and government.

- **Jumio –** Headquartered in Palo Alto, California, Jumio provides end-to-end identity verification using AI and biometrics. Its KYX platform is designed to offer secure identity verification, compliance with KYC and AML regulations, and fraud prevention across various industries (e.g. financial services, e-commerce, gaming and healthcare).

High deal activity suggests good growth prospects for the industry

High deal activity reinforces the sector's attractiveness and high growth prospects. Numerous transactions have been closed in the biometrics industry (we list the most relevant in the following table) over the past five years. We attribute this rise in the number of acquisitions to i) market growth and its higher commercial adoption; ii) increased cybersecurity and identity theft concerns; iii) technological advancements; and iv) government and regulatory push.

Average multiples paid in recent transactions are close to c. 3x EV/Sales. Several companies in the sector are still in their early stages, implying that some companies are generating turnover but the elevated cost base still drives EBITDA below breakeven.

Thus, the most comparable multiple for transactions in the sector is EV/Sales. The most relevant transactions in the sector have closed at an average 3.3x EV/Sales, slightly ahead of trading multiples for the sector.

Selected transactions in the biometrics market (local currency)

Company	Buyer	Country	Year	EV	EV/Sales	EV/EBITDA
Idemia *	IN Groupe	France	2024	US$1.1bn	2.5	- -
Vision-Box	Amadeus	Portugal	2024	€320m	4.6	16.0
Onfido	Entrust	UK	2024	US$650m	4.5	- -
Gemalto	Thales	Netherlands	2019	€5.5bn	1.7	10.0

Source: Company data, Bloomberg and JB Capital estimates
Note (*): Transaction pending closing, valuations and sales cited by press sources.
(**) Sales, EBITDA and multiples calculated on last reporting period available pre-transaction.

Financial estimates

Double-digit revenue growth (18.5% CAGR in 2024-28e) driven by growing demand for biometrics

Facephi's historical performance reflects its top-line growth (40% revenue CAGR in 2019-23), driven by rising demand for biometric solutions in banking and Fintech – industries that account for most of its revenues – while leveraging its strong position in LatAm. Recent 1H24 results (published in October) further confirm this growth story, with 1H revenues rising 20% YoY and ARR expanding to €27.4m (+25.7% YoY). The ARR figure as of June 2024 enhances visibility and supports our FY24 revenue estimate of €28m (+10% YoY).

We believe Facephi is well positioned to continue growing its top line at double-digit rates (18.5% CAGR for 2024-28e), reaching €55m of revenues by the end of 2028, and mainly underpinned by:

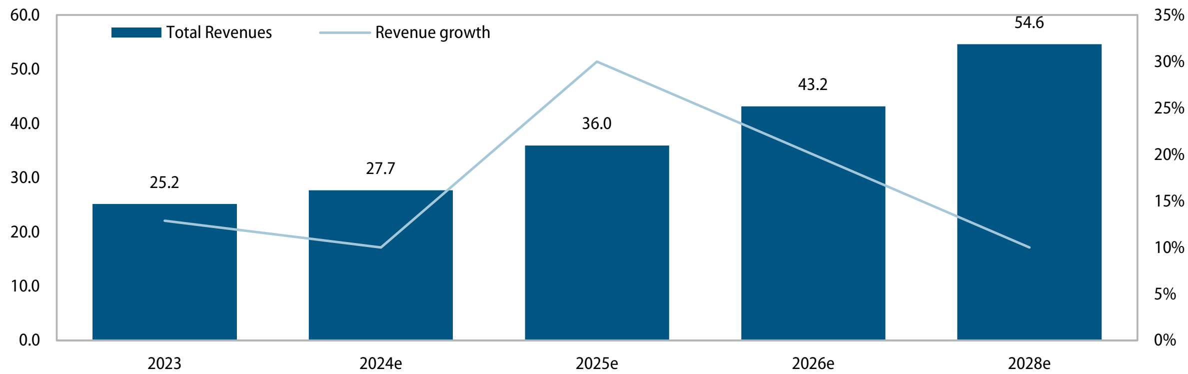
- **Continued geographic expansion:** Although LatAm will continue to be Facephi's key market, we believe its recent expansion into EMEA and APAC is not yet visible (these markets represent <6% of the total revenue mix). The company recently signed strategic partnerships (e.g., an alliance with HAMI to strengthen its position in Saudi Arabia and an agreement with Hancom to distribute Facephi's products in APAC). APAC is a high-potential market for biometric solutions (with rapid fintech adoption and regulatory push for secure identity verification).

- **Product diversification:** Facephi is expanding its product portfolio with new solutions such as the Fraud Intelligence Platform (phishing surveillance, spotting money mules, forecasting transactions and forensic analysis). The continuous development of its product suite should attract new clients and increase contract values.

- **Growing demand for biometrics in financial services industry...** Digital transformation in the financial sector continues to drive demand for biometrics, particularly for onboarding and identity verification solutions. Facephi's proven expertise and market leadership positions it well to capture market share as financial institutions adopt biometric technologies globally.

- **… while expanding into new markets.** Facephi generates most of its revenues in the financial sector. However, expansion into non-financial sectors such as transportation, healthcare and government presents significant growth opportunities, complementing the company's existing customer base. As an example, in October 2024 Facephi participated in a biometric proof of concept (PoC) for the International Air Transport Association (IATA). The PoC showcased the application of digital identity and biometric verification for seamless travel, which we consider a strategic and technological milestone, paving the way for potential commercial opportunities in this high-growth vertical.

Facephi's revenue growth (2023-28e)



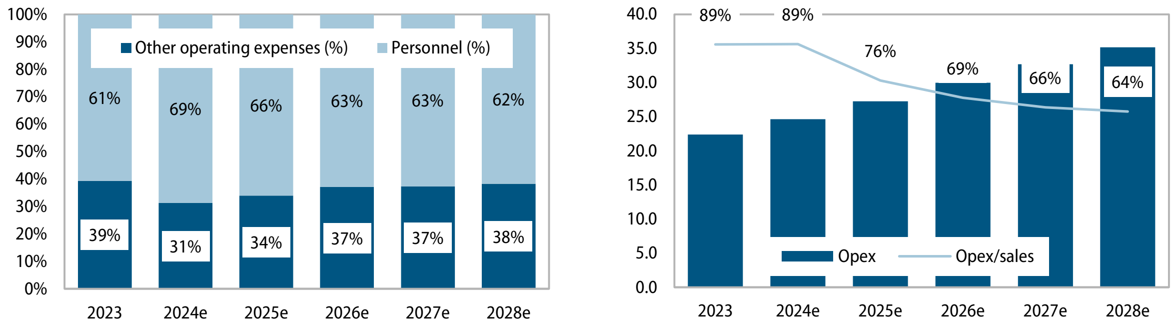
Source: Company data and JB Capital estimates

Margin expansion driven by a scalable business model (reaching c.10% EBITDA margin in 2025e)

Facephi has made significant investments in its operating structure (namely by expanding its global presence and increasing its workforce). These initiatives have limited the company's ability to translate revenue growth into EBITDA in recent years. However, in 2022, Facephi reported a positive EBITDA of about €4m, benefiting from a leaner cost structure before the cost structure expansion implemented in 2023. We believe the company is now at a tipping point in terms of profitability, having achieved what management describes as an optimal operating structure that does not require significant investments to pursue growth. This is a key aspect of Facephi's equity story, as we expect it to surpass breakeven (at the EBITDA level) and stay profitable in 2025, with an outlook for sustained margin expansion thereafter. Margins should improve on the back of:

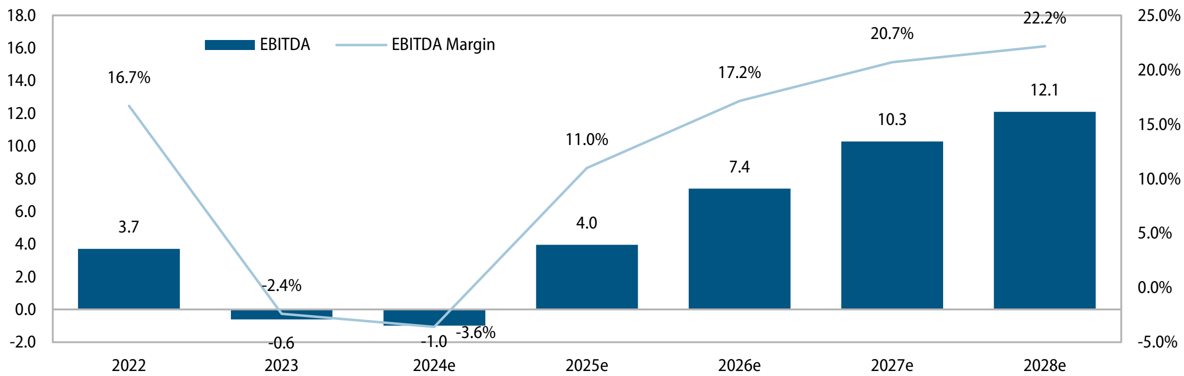
- **Strong gross margins (c. 86% of sales):** Facephi benefits from strong gross margins, driven by full ownership of its software. We expect the company to maintain its already strong gross margins at c. 86% (in line with the margin seen in previous years), as contribution from third-party technologies should remain limited.
- **Leveraging the existing structure:** We believe this should be the main driver for margin improvement in the longer term. Facephi has a scalable business through subscription-based revenues. While growing in EMEA and APAC (new markets for the company) will primarily come through revenue-sharing agreements (e.g., with Hancom and HAMI), we expect operating leverage to more than offset this impact. Specifically, we forecast personnel expenses and other operating expenses to see an 9% CAGR in 2024-28 (vs 19% revenue CAGR for the same period). Thus, we expect Opex as a percentage over sales to decline from 90% in 2024 to 64% in 2028.

Facephi's Opex breakdown (left) and opex in €m (right)



Source: Company data and JB Capital estimates

EBITDA in €m and EBITDA margin



Source: Company data and JB Capital estimates

Although operating expenses will remain relatively high compared with other software companies, the combination of strong gross margins and improved operating efficiency should enable Facephi to reach an EBITDA margin of c. 20% by 2027.

We expect Facephi to maintain its R&D cost capitalization policy – as R&D represents the company's main investment – resulting in cash EBITDA being lower than reported EBITDA in 2024-28. Specifically, we forecast capitalized expenses of €5-6m/annually (15% of 2024 revenues, decreasing to 11% in 2028). As a result, we expect cash EBITDA to remain below breakeven until 2026, when we expect it to reach €2m. Looking further ahead, sustained margin improvements – combined with relatively stable R&D investment – should drive significant improvement in cash EBITDA, which we estimate will reach €6m by 2028 (c. 60% of reported EBITDA).

Evolution of EBITDA and cash EBITDA

€m	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Reported EBITDA	0.9	0.8	4.4	0.7	-0.5	4.0	7.4	10.3	12.1
(-) Capitalised expenses	-1.1	-2.2	-3.8	-4.2	-5.3	-5.4	-5.4	-6.0	-6.0
Cash EBITDA	-0.3	-1.4	0.6	-3.5	-5.8	-1.4	2.0	4.3	6.1
Cash conversion	*ns*	*-187%*	*ns*	*ns*	*44%*	*51%*	*58%*	*58%*	*58%*
Reported EBITDA margin	*12%*	*6%*	*20%*	*3%*	*-2%*	*11%*	*17%*	*21%*	*22%*
Cash EBITDA margin	*-3%*	*-11%*	*3%*	*-14%*	*-21%*	*-4%*	*5%*	*9%*	*11%*
Capitalised expenses/revenue	*15%*	*17%*	*17%*	*17%*	*19%*	*15%*	*13%*	*12%*	*11%*

Source: Company data and JB Capital estimates

This should drive FCF from 2026e onwards

Facephi has been investing aggressively for growth in the past few years, mainly supported by the financial backing of its principal shareholder, Nice & Green. Such a strategy has resulted in a negative free cash flow. Nevertheless, we believe the company will burn no more than €5m of cash through FY25 and inflect into positive cash flow as soon as 2026. Specifically, we assume the following on the cash flow front:

- **Capex at €5-6m per annum,** of which c. 95% will be used to develop new products and technologies (R&D capitalized expenses). This figure is in line with our estimate for D&A expense in the long term (€6.5m for the terminal value).

- **Working capital offers room for improvement:** Facephi operated with high working capital requirements in 2020-23, with a working capital-to-sales ratio of 46% in 2023 (51% on average in the past 5 years). This was driven mainly by significant accounts receivables, which totalled €15m in 2023 (€22m including €7m of long-term receivables; 89% of 2023 sales). This highlights Facephi's collection period, which we believe offers significant room for improvement, particularly as it continues to scale. Management expects long-term receivables (€7m tied to past non-recurring contracts) to reduce significantly by 2026.

  All in all, although we expect working capital to remain high in the short term, the reduction in long-term receivables should contribute to improve working capital requirements, which we expect to decrease to 38% over sales by 2026 (vs c. 50% in 2023).

- **Cash taxes and interest expenses** linked to expected taxes and interest from our P&L forecast.

Overall, although cash generation should remain weak in 2024 and 2025 as Facephi is still ramping up the investments recently made, we expect cash generation to surpass breakeven by 2026 and become positive from 2027, as we forecast €1m in FCF (3% FCF yield for 2027e), rising to c.€3m in 2028 (8% FCF yield in 2028e).

Free cash flow generation (2022-26e)

€m	2023	2024e	2025e	2026e	2027e	2028e
EBITDA	**-0.6**	**-1.0**	**4.0**	**7.4**	**10.3**	**12.1**
Taxes Paid	0.0	1.1	0.4	-0.3	-1.0	-1.4
Interest Paid/Received	-0.8	-0.9	-0.7	-0.7	-0.7	-0.7
WC Change	0.7	-2.7	-1.5	-0.4	-1.4	-1.1
Capex	-9.9	-5.8	-5.8	-5.6	-6.2	-6.2
Others	1.6	0.0	0.0	0.0	0.0	0.0
FCF	**-9.0**	**-9.3**	**-3.6**	**0.4**	**1.0**	**2.8**
Capital increase	8.0	8.6	2.6	0.0	0.0	0.0
Net Debt Issuance/(Repayment)	1.6	0.6	1.0	0.0	0.0	0.0
Net increase/decrease in cash	**0.6**	**0.0**	**0.0**	**0.4**	**1.0**	**2.8**

Source: Company data and JB Capital estimates. Capital increase in 2025 includes the conversion of: i) €0.6m of drawn convertible notes and ii) €2m shareholding loan maturing in March 2025.

Tight liquidity in 2025e, mitigated by ongoing support of its main shareholder

Our numbers already assume a €2.6m capital increase in 2025 through the conversion of the pending equity-linked instruments granted to Nice & Green (€0.6m of drawn convertible notes and €2m shareholding loan maturing in March 2025). Nevertheless, we anticipate liquidity will remain tight in 2025, as shown in the preceding figure. Thus, we believe the company will continue to secure additional financing through shareholder loans (granted by its main shareholder) before turning FCF-positive in 2026. Furthermore, the maturity of the syndicated loan in December 2025 (initial amount €13m; current outstanding €8.9m) presents an opportunity for Facephi to restructure and optimize its capital structure. However, if the syndicated loan is not refinanced on favourable terms, it may need additional funding in the short term to address its liquidity needs.

Regarding leverage, although net debt will continue to be affected by the growth stage of the business, the estimated growth in EBITDA means Facephi's leverage (excluding convertibles) should decline from 3x in 2025 to 1.5x in 2026 (and to 1x by 2027). For further details on the convertible instruments, please refer to the capital structure analysis on pages 19 to 21.

Net debt evolution (2023-28e)

€m	2023	2024e	2025e	2026e	2027e	2028e
Net Debt	10	11	12	11	10	8
Net Debt (excluding convertibles)	9	8	12	11	10	8
Interest Cost	-2	-1	-1	-1	-1	-1
Average Cost of Gross Debt	13%	8%	8%	7%	7%	7%
Net Debt / EBITDA	nm	nm	3.0x	1.5x	1.0x	0.6x
EBITDA/Financial expenses	-0.4x	-1.1x	5.4x	11.0x	15.3x	18.1x

Source: Company data and JB Capital estimates

What could go wrong? Main risks to our current scenario

When discussing estimates that anticipate strong growth and margin expansion, execution risks must be considered as we acknowledge that it may be difficult for Facephi to drive strong top-line growth while increasing its margins. In our view, Facephi's main risks that could impact on our estimates and our positive stance are:

- **Competition and commercial risks:** Rising competition could pressure pricing, market share and ultimately impact both revenue growth and margins. Additionally, the risk of technological disruptions and Facephi's ability to adapt to evolving technologies must also be considered.
- **Exposure to emerging markets and the USD:** Facephi carries out 95% of its activities in LatAm. While the region's flexible regulatory environment has supported business expansion, this reliance increases the company's exposure to the macroeconomic and geopolitical risks associated with the region. Facephi has significant exposure to the USD (97% of receivables), making it sensitive to exchange rate fluctuations.
- **Syndicated loan refinancing:** Facephi needs to refinance its syndicated loan signed in 2020 in 2025 (initial amount €13m; outstanding balance of €8.9m). We assume that the company will successfully refinance its outstanding debt. However, if refinancing is not achieved on favourable terms, Facephi will require additional short-term funding to address its liquidity needs. We believe this risk is mitigated by the financial backing of Facephi's main shareholder Nice & Green, which has supported the company since 2019 through equity-linked instruments. For details regarding the current capital structure, please refer to pages 19 to 21.
- **Potential dilution:** Although our valuation is fully diluted, we expect the capital structure to remain tight in 2025. Such a scenario may result in further issuance of equity-linked instruments, such as shareholder loans, which could eventually be converted into shares.
- **Regulations:** Facephi operates in a highly regulated environment as biometric data is considered sensitive information. Any tightening of regulations or adverse changes to data protection laws could significantly constrain the company's ability to operate and expand its business beyond its current presence in LatAm.
- **Security breaches:** Facephi's brand and operations could be significantly harmed by a security breach or by misuse of members' private information.

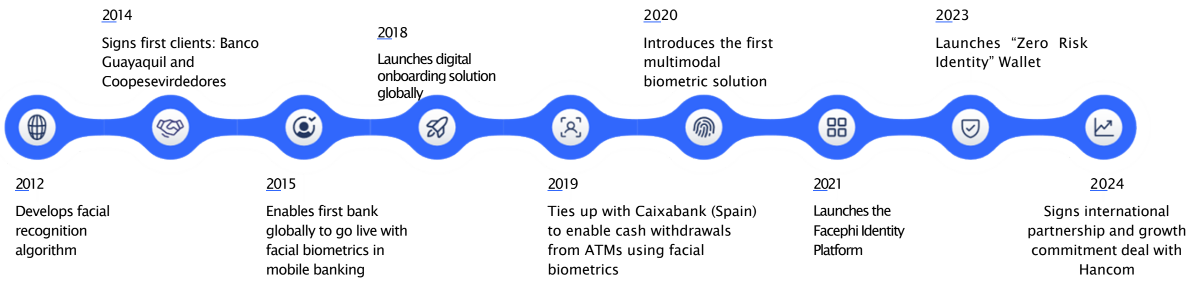
Facephi: Company overview

Focused on providing secure biometrics-based identification software…

Founded in 2012 and headquartered in Alicante, Spain, Facephi is a technology company specialising in digital identity verification, authentication and onboarding solutions. Over the past decade, Facephi has developed a robust portfolio of proprietary biometric technologies designed to enhance security, accessibility and fraud prevention, while ensuring ethical data processing. The company has established itself as a key player within the financial services industry – a sector where it has achieved significant market penetration; it is also actively pursuing a diversification strategy aimed at replicating its success in the financial sector into new markets such as insurance, healthcare, travel and public administration. This positions Facephi well to capture growth opportunities in markets with rising demand for secure digital identity solutions.

Beyond its headquarters in Spain, Facephi operates through regional subsidiaries, including EMEA (London, UK), APAC (Seoul, South Korea), and LatAm (Montevideo, Uruguay). Facephi has 233 employees (including 70% technical staff) and generates 94% of its revenues in LatAm (mainly Argentina, Costa Rica, México and Panamá).

Company history (2012-24)



Source: Company data

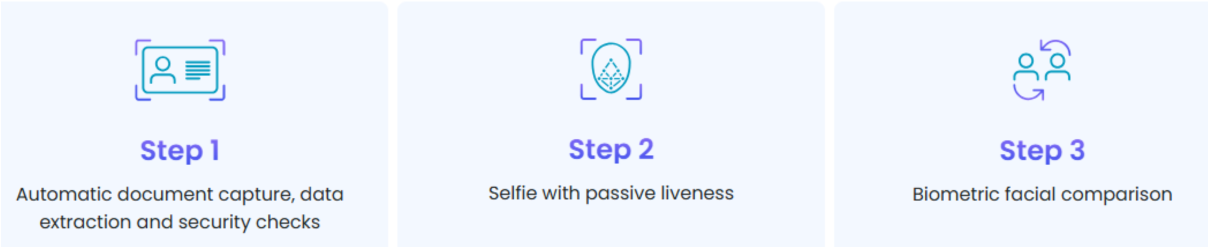
…specialising in digital onboarding and authentication solutions for KYC and AML compliance

Facephi's software suite has expanded over the years to include multi-modal biometric capabilities that combine facial, fingerprint, and voice recognition with liveness detection and document verification to facilitate secure, password-free authentication and seamless integration across various verticals. These capabilities underpin applications in eKYC processes, digital onboarding, and multi-factor authentication. In recent years, Facephi has also focused on integrating artificial intelligence (AI) into its systems, improving the precision, efficiency and adaptability of its offerings while maintaining ease of use for end-users.

Specifically, Facephi has been developing biometric technology adapted to the cybersecurity industry for more than a decade. It retains the ownership of all its technology, offering a highly competitive process compared with other players in the sector. Although Facephi does not provide a sales breakdown by business unit or product category, its key products include the following:

- **Digital onboarding:** This is Facephi's core product, representing more than half of total sales. This solution allows users to quickly contract a digital product remotely, capturing the ID document (passport, driving licence, etc.) information and taking a selfie with passive liveness. Such a process reduces the customer acquisition cost (CAC) and facilitates smooth onboarding with robust KYC and compliance tools, ensuring customer identity verification while adhering to regulatory requirements.

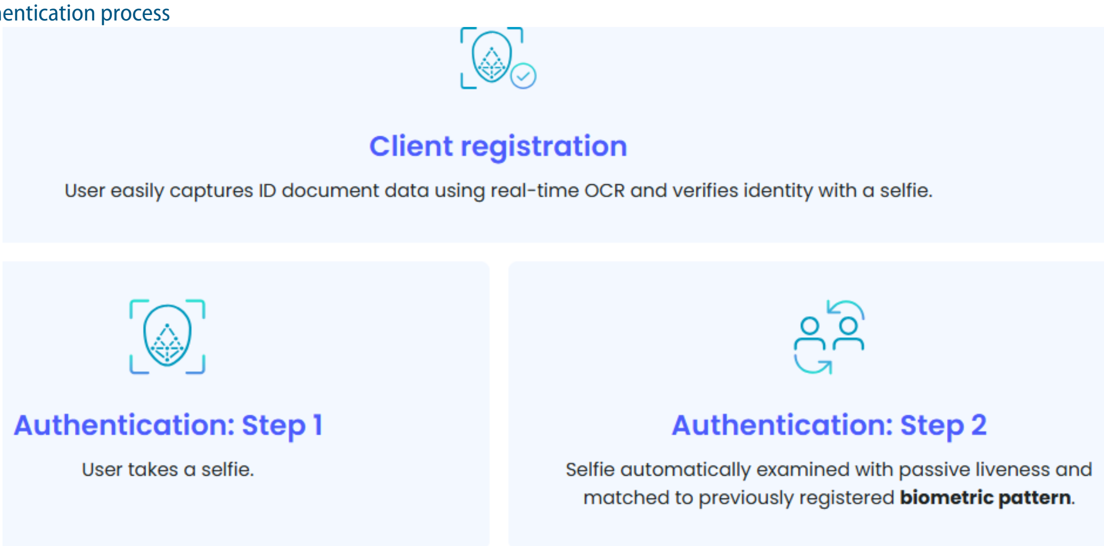
Digital onboarding process



Source: Company data

- **Authentication:** This represents about a third of total sales and allows users to access any application or physical environment, or carry out any type of transaction by using different biometric technologies. It is possible to authenticate a user and identify them among a group of people. Facephi's authentication solution supports different types of biometric technologies (facial, voice, fingerprints and digital signature), enabling its use individually or jointly for enhanced security.

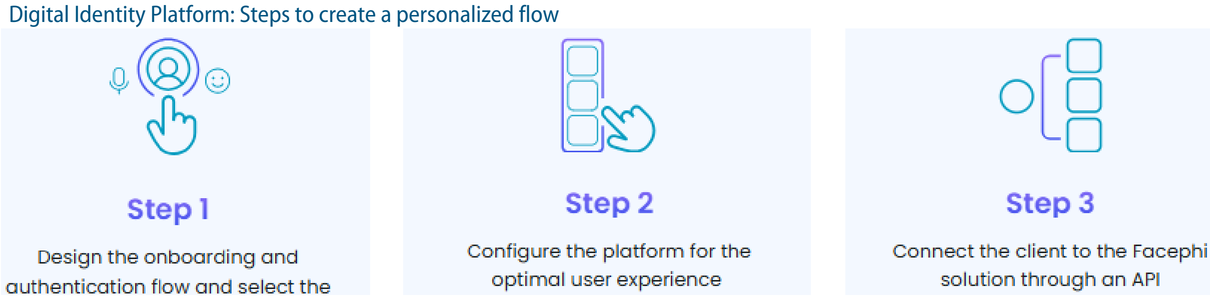
Authentication process



Source: Company data

- **Digital Identity Platform:** This new solution combines different biometric solutions in a single tool and is available in different architectures. Biometric solutions can be selected and combined from the platform. The development of this customizable platform with no code represents a major step for Facephi as it implies moving from providing individual solutions towards providing a tool that enables each customer to customise their digital onboarding and authentication processes. This modular solution incorporates real-time operations control, a dashboard with the key performance indicators (KPIs), as well as transaction logging and statistics, among other features.

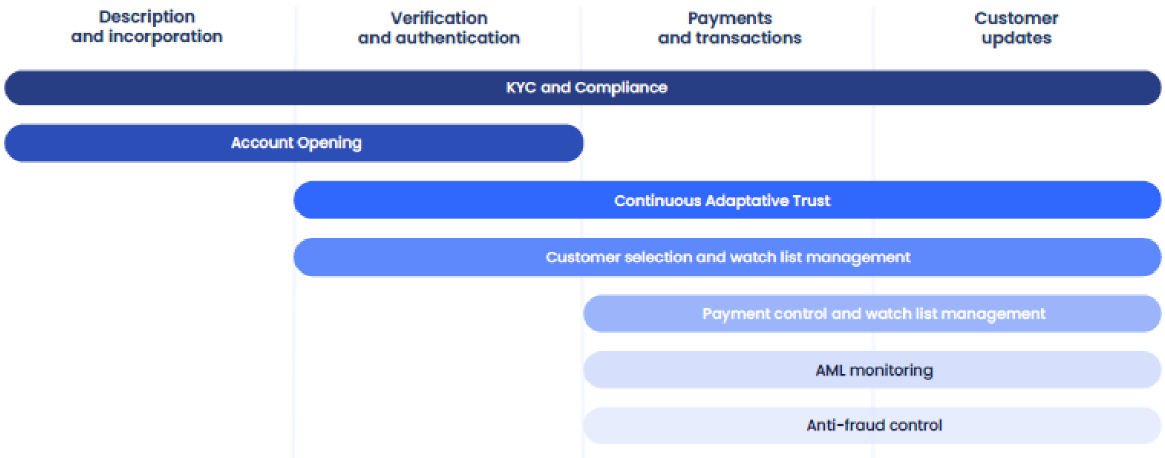
Digital Identity Platform: Steps to create a personalized flow



Source: Company data

Facephi's biometric and identity solutions are integrated into its client's existing workflows, strategically positioned to secure and streamline every stage of the customer journey through its solutions. This approach not only enhances customer trust, reduces fraud risk and ensures regulatory compliance, but also generates significant switching costs – such as the need for re-auditing and re-certifying processes to meet regulatory standards. These switching costs create significant barriers for new entrants and reinforce Facephi's strong customer retention capabilities.

Facephi's integration across the "customer journey"



Source: Company data

Facephi operates a scalable business model based largely on licensing its proprietary biometric technology to B2B clients through various revenue streams, including annual software licenses, usage-based fees, and project-based fees. This model not only secures a steady flow of recurring revenue but also incentivizes deeper integration of its solutions, fostering long-term relationships with its clients. The company also offers support services including training programmes, enabling clients to tailor the biometric solutions to their specific operational needs.

Strong presence in LatAm with ongoing expansion in Asia and the Middle East

Facephi's is increasing its presence globally, with a strong client base in over 25 countries and regional subsidiaries that provide local support to clients in the LatAm (Latin America), EMEA (Europe, Middle East, and Africa), and APAC (Asia-Pacific) regions. The company's traditional market has been LatAm, where it initially established its customer base through partnerships with financial institutions.

LatAm is a core market for Facephi, accounting for 94% of total sales. The company has offices in Brazil and Uruguay, and presence in Argentina, Costa Rica, Mexico, Panama and Peru.

We believe LatAm offers a more flexible regulatory landscape, enabling Facephi to scale up its solutions quickly. Many countries are still working on regulatory frameworks for digital banking and fintech with a focus on financial inclusion and fraud prevention. Such a scenario creates opportunities for early adoption of technologies such as biometrics.

Many of these countries also have large unbanked populations, driving the demand for digital banking and fintech solutions. Established banks in such markets are adopting technologies provided by Facephi and peers to streamline customer onboarding and secure transactions.

Facephi has established relationships with leading financial institutions in LatAm (which now accounts for c. 90% of its revenues). However, it is also working with companies in healthcare, public sector, travel and hospitality, telecommunications, retail and e-commerce, among others. Key clients in LatAm include Banco Santander, HSBC, Claro, Banco del sol, Bantotal, Reditel, Banco Economico, LATAM Airlines, Banco Itaú, Pacifico Seguros, Scotiabank and Banesco, among others.

Facephi's key clients in LatAm

Source: Company data

EMEA represented 4.2% of FY23 sales. Facephi has its headquarters in Spain and a regional subsidiary in London since 2022. The company works with various financial entities to secure identity verification and onboarding. For instance, Aena will implement Facephi's biometric boarding systems to allow passengers boarding at some of Aena's airports by using facial recognition, thus eliminating the need for boarding passes.

In the Middle East, Facephi recently signed a partnership with Qashio, a fintech company in the United Arab Emirates (UAE). The deal includes deploying Facephi's biometric identification technology to enhance digital onboarding and identity verification processes for Qashio's corporate credit card and expense management platform. Furthermore, in November, the company announced a strategic alliance with HAMI, a Saudi Arabia-based cybersecurity provider, to transform digital security across key sectors such as finance, transportation, healthcare and government services.

We believe that maintaining a GDPR-compliant environment ensures Facephi operates in alignment with the highest global data protection standards. Additionally, its collaborations with well-recognized Spanish entities (such as Aena) could pave the way for similar biometric and identity verification projects across the broader EMEA region, strengthening its foothold in international markets.

Asia-Pacific represented 1.7% of FY23 sales. This business is mostly related to South Korea. In March 2024, the Korean tech Hancom invested €5m in Facephi through a convertible loan (once capitalised, it will make Hancom the second-largest shareholder with a c. 6% stake; for further details, please refer to page 22), providing it exclusivity to distribute Facephi's solutions in the Asia-Pacific, which we believe is a significant milestone for the company.

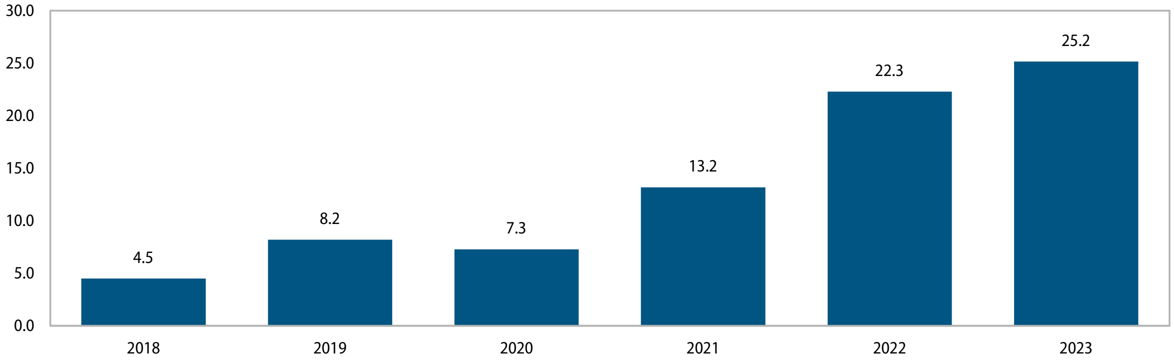
South Korea is a global leader in technology adoption. Its financial institutions are heavily investing in digital transformation, providing a solid environment for Facephi's solutions, including using facial recognition technology for digital onboarding and authentication processes. Key clients in this region include financial institutions such as KB Securities, DGB Daegu Bank, and Samsung Securities (one of the largest securities companies in Korea, and a subsidiary of Samsung Group).

Recent financial performance: Double-digit growth in revenue (2018-23 CAGR of 41%)…

Accounting standards: Facephi's shares are listed on the BME Growth and Euronext growth markets and follows Spanish GAAP standards rather than the IFRS. Since 1H23, the company's financial statements have been audited by EY, which is expected to continue as its auditor through 2024 and 2025. In 2023, following EY's recommendation, Facephi revised its FY23 trading statement. Initially, the company reported FY23 revenues of €30m, but this figure was later lowered 16% to €25.3m in the audited financial statements. The adjustment stemmed from revenue-recognition policies related to software licenses. These licenses were delivered and made available to the customer in 2023, but the formalization of agreements occurred in early 2024.

Facephi's revenue has grown consistently in recent years, boosted by increasing demand for biometric solutions in industries such as banking and Fintech (from where it currently generates the bulk of its revenues), which have increasingly adopted biometrics for client onboarding and identity verification, while leveraging its position in LatAm. Specifically, in recent years, Facephi has been able to maintain high revenue growth (+41% CAGR in 2018-23) to reach a turnover of €25m in 2023 (+13% YoY).

Facephi total revenues in €m (2018-23)



Source: Company data

…although significant growth in structure pressures short-term EBITDA

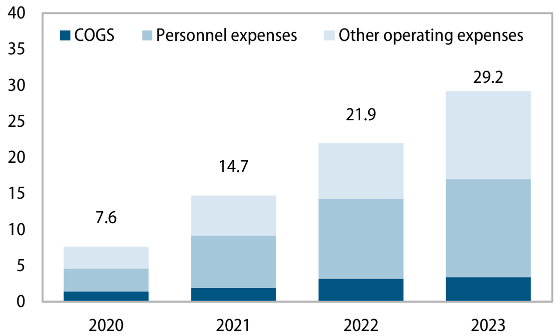
Facephi's EBITDA has remained at breakeven (-€0.6m in 2023; €0.7m excluding impairments) as it made substantial investments to expand its global presence (in regions such as South Korea), including opening new offices (with brand-new headquarters in Alicante, Spain) and operational scaling. It increased its workforce to 245 employees in YE23, thereby raising staff costs by 23%.

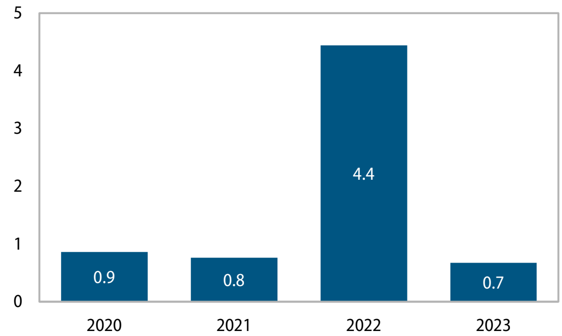
Proprietary technology supports strong gross margins (85% of sales)... Facephi's retains full ownership of its technology, a key driver of its gross margins. During 2020-23, the cost of goods sold (COGS) represented a stable 15% of net turnover, with purchases primarily directed towards acquiring third-party technologies required to develop proprietary software and cloud services. In our view, retaining full ownership of software ensures cost efficiency and provides a competitive edge in pricing structures compared to other players. For example, Facephi can offer flat fees based on client needs and volume without compromising profitability, whereas competitors' profits would be negatively affected as they must share revenues with their providers.

…although significant expansion of its operational structure means EBITDA remains at breakeven. Facephi remains in an early growth phase and has made substantial investments to expand its operational capacity. Personnel expenses reached €13.6m in 2023, accounting for 54% of revenues, driven by a 35% increase in employee headcount, which reached 245 employees. Other operating expenses (excluding impairments) reached €12m, accounting for 48% of revenues, driven mainly by the commissions paid to sales made through the partner's channel – which represented c. 25% of Facephi's revenues during 2020-23. Rising costs have hampered the conversion of strong revenue growth into EBITDA, which has remained near breakeven (€0.7m in 2023, excluding the €1.3m impairment).

This significant growth in the cost structure highlights the company's focus on building capacity for future growth, though it also underscores the need for careful cost management and efficient execution in the future.

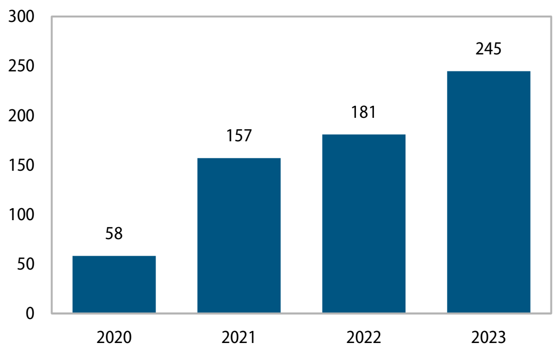
Facephi's cost base (left) and reported EBITDA, €m (right)

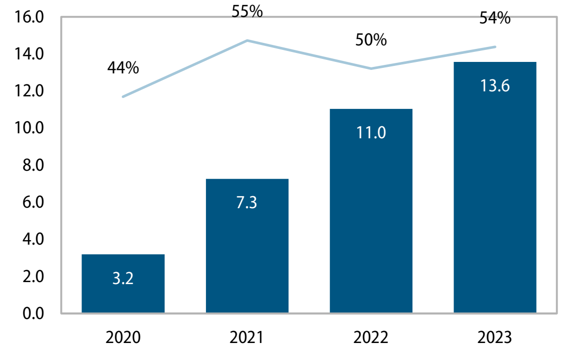




Source: Company data

Average employees, 2020-23 (left) and personnel expenses (€m) as % of sales (right)





Source: Company data

Strong R&D capitalization on the P&L means that cash generation remains weak. Facephi's high R&D capitalized expenses (on average c. 16% of revenues, 17% in 2023), registered as intangible assets, is of utmost importance to reconcile between reported EBITDA and cash EBITDA. To obtain Cash EBITDA, we adjust reported EBITDA by R&D capitalized expense. As shown in the following table, when adjusted for R&D capitalization, EBITDA would have been negative throughout 2020–23. However, Facephi expects the expansion of its operating structure to peak by 2024, reflecting management's confidence in leveraging the established operating structure to support growth and enhance profitability.

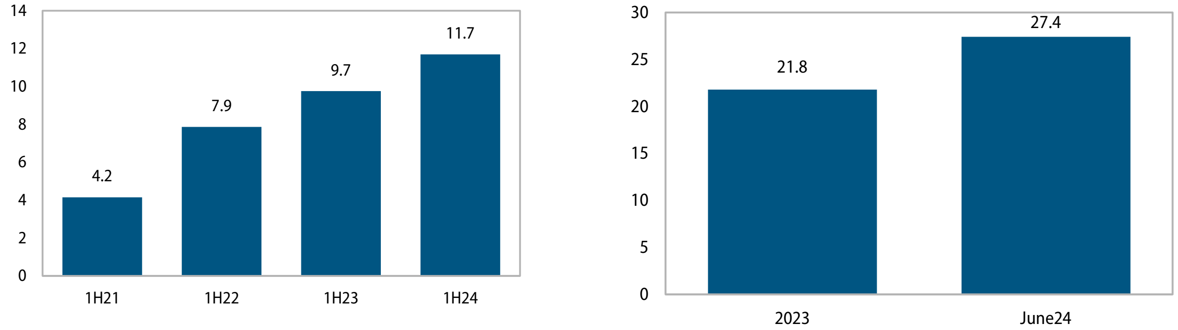
Evolution of EBITDA and Cash EBITDA

€m	2020	2021	2022	2023	CAGR 2020-23
Reported EBITDA	0.9	0.8	4.4	0.7	-7.94%
Capitalised expenses	-1.1	-2.2	-3.8	-4.2	
Cash EBITDA	-0.3	-1.4	0.6	-3.5	140.49%
Cash conversión	-29%	-187%	14%	nm	
Capitalised expenses/revenue	15.3%	16.5%	17.1%	16.6%	

Source: Company data and JB Capital estimates.

1H24 results: Strong ARR growth enhances visibility despite EBITDA below breakeven. Facephi reported 1H24 revenues of €11.7m (+20% YoY), setting a record first-half performance (see following chart). Annual recurring revenue (ARR) reached €27.4m (+25.7% in 6 months from December 2023), reinforcing growth visibility through subscription-based income. EBITDA remained below breakeven, though signs of improvement are emerging as the company nears the completion of its structure expansion. Adjusted 1H24 EBITDA (excluding €1.1m in extraordinary expenses) was -€2.1m (vs -€2.3m in 1H23), reflecting Facephi's typical seasonality, with over 60% of annual revenues historically generated in 2H. As revenues ramp up in 2H, we expect EBITDA to improve through fixed-cost dilution (specifically, we expect positive EBITDA in 2H).

Facephi's 1H revenue (left) and ARR (right)



Source: JB Capital estimates

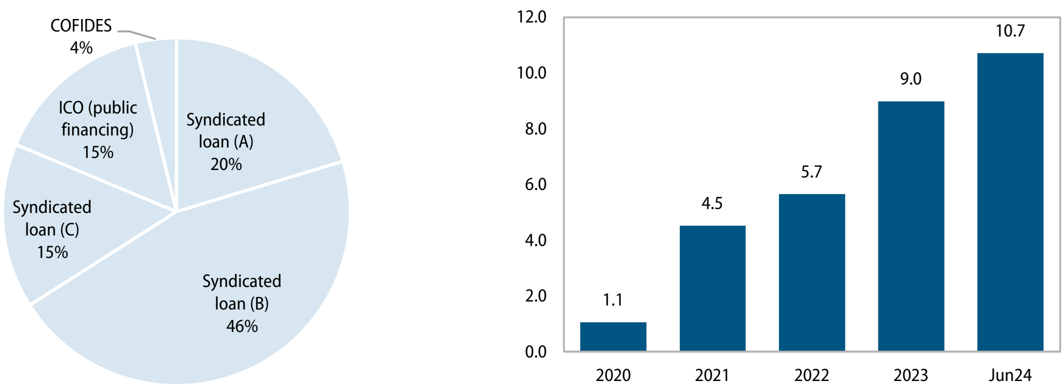
Capital structure: How has this growth been financed?

Facephi's growth since 2019 has been underpinned by the financial backing of its principal shareholder, Nice & Green (a Swiss institutional investor specialising in the funding of listed small caps). The latter has financed the company's expansion primarily through convertible instruments, with a total funding of c. €22m. This financial support is reassuring, regarding Facephi's ability to meet its financial needs, which we anticipate will remain through 2025 – when the company faces a refinancing need of c. €9m tied to its syndicated loan – before improving in 2026, when we expect EBITDA and cash flow to improve. Such an evolution should enhance its financial position.

In addition to equity support from Nice & Green, Facephi has attracted investors to secure both funding and local know-how and presence. In 2024, Hancom invested €5m in Facephi and entered into a 3-year agreement to represent its products through a revenue-sharing arrangement in APAC. Furthermore, Facephi has secured financing through loans from COFIDES, the Spanish public-private development finance institution, and ICO, a public financial institution dedicated to supporting Spanish companies, along with a syndicated loan signed in 2020. Regarding the current capital structure, we highlight the following aspects:

Current debt structure: Facephi's gross financial debt (excluding convertible instruments) amounted to €11.2m (€10m in net terms) as of June 2024, mainly related to: i) a syndicated loan (€8.9m outstanding, representing 81% of gross debt, maturing in December 2025); ii) a COFIDES loan used to fund the UK expansion (€0.4 outstanding, maturing in 2026); and iii) an ICO loan (€1.6m outstanding, maturing between 2026 and 2028).

Facephi's gross debt structure by type, 1H24 (left) and Net Debt (excluding convertibles) evolution in €m (right)



Source: Company data. Note: Net Debt excluding convertible instruments as of June 2024.

The €8.9m syndicated loan, signed in 2020 for an initial amount of €13m, involves Banco Santander, Caixabank, Sabadell and Deutsche Bank. It is structured in three tranches:

- **Tranche A:** €6m with a 5-year term (due December 2025), featuring semi-annual amortization. As of June 2024, €2.2m remains outstanding, with €0.7m due before YE24.

- **Tranche B:** €5m revolving credit facility with a 3-year term, plus two optional 1-year renewals, expiring in 2025. The total amount is classified as short-term debt. This facility represents 46% of Facephi's gross debt.

- **Tranche C:** €2m revolving credit facility with a 3-year term, plus two annual renewals, expiring in 2025. The total amount is also classified as short-term debt.

Covenants compliance: The syndicated loan is subject to compliance with various annual covenants based on net financial debt and financial expenses, both relative to EBITDA. As of YE23, Facephi did not meet established covenants, prompting a waiver request to the agent bank. For 2024 the company expects to receive another waiver from financial institutions.

The following chart summarises Facephi's Net Debt structure over the past few years.

Facephi historical debt structure (2021 to June 2024)

€m	2020	2021	2022	2023	Jun24
Bank loans LT	6.1	5.0	3.6	2.9	1.9
Bank loans ST	1.0	1.2	3.9	8.6	9.3
LT Leases	0.0	0.0	0.2	0.1	0.0
ST Leases	0.0	0.0	0.1	0.1	0.1
Gross financial debt	**7.0**	**6.2**	**7.8**	**11.7**	**11.3**
Cash	-6.0	-1.7	-2.2	-2.7	-0.6
Net Debt	1.1	4.5	5.7	9.0	10.7
Grants and other	0.0	0.2	0.9	0.2	0.0
Nice & Green Convertibles	0.0	0.0	2.3	1.2	0.9
Hancom shareholder loan	0.0	0.0	0.0	0.0	5.0
Net Debt including convertible instruments	1.1	4.7	8.0	10.2	16.6

Source: Company data

Upcoming maturities: Facephi has most of its debt maturities in December 2025, with 81% of its current gross debt due at that time, primarily related to the syndicated loan with an outstanding amount of €8.9m. While this presents near-term financial pressure, we expect the covenant flexibility and continuous support from its main shareholder Nice & Green to mitigate this risk. Our estimates point to a significant recovery in EBITDA starting 2025; such a position should enhance the company's ability to refinance its debt.

Convertibles and other equity-linked instruments: Our valuation already accounts for these instruments and thus is fully diluted. As of June 2024, Facephi's outstanding equity-linked instruments are related to:

- **Nice & Green (€0.9m, including convertibles and a financial loan):** This is mainly related to a convertible bond issued in April 2024 amounting to €0.6m. The conversion price is based on 92% of the VWAP during the reference period (the 5 days prior to the conversion date). It includes a financial loan granted by Nice & Green in 2022 for €0.7m with an outstanding amount of €0.3m.
- **Hancom Investment Agreement (€5m at €2.95/shr):** The ongoing investment agreement with Hancom is structured through a convertible loan. Upon conversion, this investment will make Hancom the second-largest shareholder with a roughly 6% stake. The investment from Hancom not only provides funding but also establishes a partnership that could strengthen Facephi's presence into the Asian market.

Facephi announced its decision to discontinue issuing convertible bonds in May 2024, stating it will no longer pursue this form of financing to minimize shareholder dilution and shift towards more traditional funding methods. However, in addition to the convertibles outstanding as of June 2024, the company entered into two new financing agreements with Nice & Green in August and October, totalling €3.8m:

- **Shareholder loan issued in August 2024 (€1.8m):** In November 2024, the company announced that its board of directors will propose the conversion of the €1.8m shareholder loan into equity at a conversion price of €1.6277/shr at an Extraordinary General Meeting to be held on 23 December 2024. This will likely result in the issuance of 1,126,837 new shares, representing c. 5% of the current share capital.

- **Shareholder loan issued in October 2024 (€2m):** In October 2024, Nice & Green granted a new shareholder loan of €2m, maturing on 31 March 2025. The loan accrues annual interest at the Euribor rate plus 2%, with interest payable upon maturity. The conversion price is based on the volume-weighted average price (VWAP) of the five days prior to the conversion date, increased by 3%. For valuation purposes, we assume this loan will be converted at a price equal to the VWAP of the five days preceding the date of this report.

The following table provides the details of the convertible instruments.

Equity-linked instrument details

€ m	Date	Total (€ m)	Maturity	Interest	Conv. price (€/shr)
Nice & Green convertible	April 2024	0.6	March, 2025	0%	VWAP[1] of reference*92%
Hancom shareholder loan	May 2024	5.0	Note 2	0%-1%	2.95
Nice & Green shareholder loan	August 2024	1.8	November 2024	Euribor + 2%	1.6277
Nice & Green shareholder loan	October 2024	2.0	March, 2025	Euribor + 2%	VWAP[2] of reference*103%

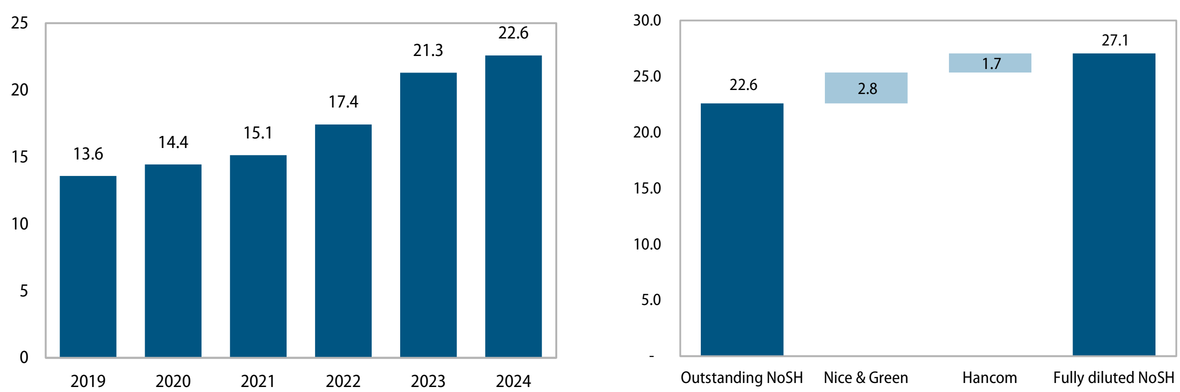
Source: Company data. Note 1: The convertible instruments benefits from a cap of 4.35% interest. VWAP[1] of reference is the lower of (i) the VWAP of the day prior to the conversion date or (ii) the average VWAP of the last 3 trading sessions. VWAP[2] of reference is the 5 days prior to the conversion date. Note 2: Facephi's board approved the capitalization of this loan at an Extraordinary general Meeting in August 2024, and once the shares are issued, this will make Hancom the second-largest shareholder with a c. 6% stake.

Capital increases: Since 2019, Facephi has raised c. €22m through capital increases, issuing c. 9m new shares. The total number of shares has increased from 13.6m in 2019 to 22.6m as of June 2024. These are related to the conversion of convertibles instruments issued to Nice & Green. In addition, to determine the fully diluted number of shares, we must account for the following potential issuances:

- **Hancom Investment Agreement:** 1.7m new shares (conversion at €2.95/shr).
- **Nice & Green convertible loan:** 0.4m new shares (conversion at VWAP * 92%).
- **Nice & Green shareholder loans:** i) August 2024 (1.1m new shares at €1.6277/shr) and ii) October 2024 (1.25m new shares, resulting from VWAP * 103%).

For valuation purposes, we use current market prices to estimate the VWAP and resulting share issuance. However, the actual VWAP and resulting number of shares will vary depending on the share price at the time of conversion.

Shares outstanding in millions, 2014-1H24 (left) and bridge from current NoSH to fully diluted shares (right)



Source: Company data and JB Capital estimates. Note: Fully diluted final share counts will depend on actual VWAPs at the time of conversion

Shareholding structure and board of directors

Shareholding structure: Nice & Green is the largest shareholder, with founding partners holding c. 11% and key management roles; free float stands at 76%

Facephi's current shareholding structure reflects its partnership with the firm Nice & Green (a Swiss institutional investor specialising in the funding of listed small caps), which has supported the company since 2019 through equity-linked instruments, contributing c. €22m to fund product development and the company's international expansion. As of June 2024, Nice & Green held a 17% stake in Facephi, making it the largest shareholder. Founding partners Javier Mira (CEO) and Juan Alfonso Ortiz hold a 6.7% stake (10% stake, including shares lent as collateral under the financial agreement with Nice & Green). The free float stands at 76% of the share capital.

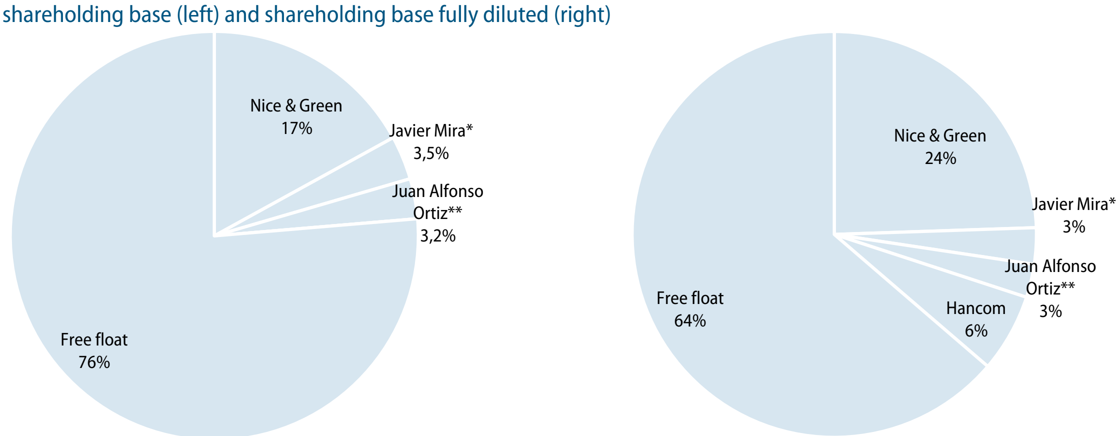
Facephi has equity-linked instruments granted by Nice & Green, amounting to €4.4m related to:

- **A convertible bond issued in April 2024 (€0.6m),** with a strike price of €1.5/shr maturing in March 2025. This represents the final tranche (of the financing agreement through equity warrants. In May 2024, Facephi announced its decision to discontinue issuing convertible bonds, saying it will no longer pursue this form of financing.
- **Shareholder loan issued in August 2024 (€1.8m):** In November 2024, the company announced that its board of directors is going to propose the conversion of the €1.8m shareholder loan into equity at a conversion price of €1.6277/shr at an Extraordinary General Meeting to be held on 23 December 2024. This will likely result in the issuance of 1,126,837 new shares, representing c. 5% of the current share capital.
- **Shareholder loan issued in October 2024 (€2m):** In October 2024, Nice & Green granted a new shareholder loan of €2m, maturing on 31 March 2025. The loan will accrue annual interest at the Euribor rate plus 2%, with interest payable upon maturity. The conversion price will be based on the volume-weighted average price of the five days prior to the conversion date, increasing by 3%. For valuation purposes, we assume this loan will be converted at a price equal to the volume-weighted average price of the five days prior to the date of this report.

Additionally, the ongoing investment agreement with Hancom (€5m at €2.95/shr) was structured through a convertible loan. Facephi's board approved the capitalization of this loan at an Extraordinary General Meeting in August 2024. Once the shares are issued, Hancom will become the second-largest shareholder with a c. 6% stake. We recall that our valuation already considers these instruments and thus is fully diluted.

The following chart shows the shareholding structure assuming the equity-linked instruments are fully converted.

Current shareholding base (left) and shareholding base fully diluted (right)



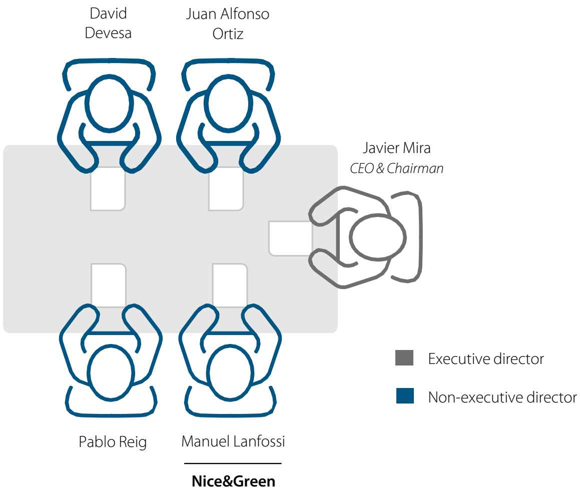
Source: BME growth (as of 8 July)
** 5.61% stake, including shares lent as collateral for Nice & Green*
*** 5.35% stake, considering the shares lent as collateral for Nice & Green*

Board of directors: decent exposure to the share price

Facephi's board of directors was renewed last July with the departure of Fernando Orteso and the entry of Nice & Green (Facephi's main shareholder) represented by Manuel Lanfossi. The board has 5 directors of which 2 are independent. CEO and founder Javier Mira (5.61% stake) is the executive chairman.

The board has high exposure to the share price with the executive and non-executive directors representing up to 23.6% of the share capital, implying a strategic alignment at the board level.

Facephi's board of directors



Source: Company data

We provide a brief individual descriptions of the board members:

- **Javier Mira (Chairman and CEO):** Mr. Mira co-founded the Group in 2012 and has led it for over 10 years. He owns a 5.61% stake in Facephi (including shares lent as collateral to Nice & Green).
- **Juan Alfonso Ortiz (Secretary of the Board):** Mr. Ortiz holds a degree in Business Administration from the University of Alicante and became a certified Trade Broker in 1997. He acts as a State Notary in Almansa, Albacete. Mr. Ortiz owns a 5.35% stake in Facephi (including shares lent as collateral to Nice & Green).
- **Manuel Lanfossi (Representing Nice & Green):** Mr. Lanfossi was appointed a member of Facephi's board in 2024 by its main shareholder, Nice & Green (17% stake in the share capital). Mr. Lanfossi has over 20 years of professional experience in finance-related roles, including as the CFO at SpineGuard.
- **Pablo Reig (Independent director):** Mr. Reig is an expert in providing auditing services for both national and international companies. He holds a degree in Business Administration from the University of Alicante.
- **David Devesa (Independent director):** Mr. Devesa is a specialist in corporate law and M&A transactions. Mr. Devesa holds a degree in Law from the University of Alicante and a master's degree from the IE.

Board and senior management compensation amounted to €1.14m in 2023 (€1.36m in 2022). Such remuneration included €660k as base compensation to the senior management (i.e. executive chairman) and €390k for board members per diems (including the Audit and Remuneration Commissions). For 2024, the executive chairman's base salary was increased to €721.5k, including a special bonus of €150k plus a variable remuneration based on the company's revenue performance. Additionally, the General Manager, appointed in October 2023, will receive €400k in base compensation plus variable remuneration also linked to the company's revenue performance. As a result, the estimated total base remuneration for the board and senior management in 2024 is expected to reach €1.66m.

Sector trends are favorable: Biometrics market expected to see 21% CAGR until 2034

Biometrics technology is used to identify or confirm a person's identity based on their external appearance or their behavioural characteristics. Physiological characteristics include fingerprints, hand shape, vein pattern, the eye (iris and retina) and the face's shape. These could also include DNA, blood, saliva, urine or other physical aspects. Behavioural characteristics include gestures, voice recognition, signature characteristics or walking style.

The most common types of biometric technology are:

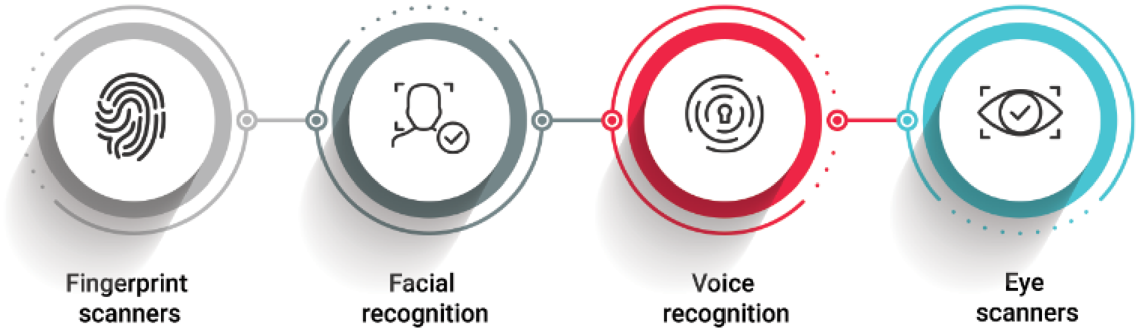
1) **Fingerprint scans –** A method of identifying individuals based on the unique pattern of ridges and valleys on their fingerprints. It is commonly used in security systems and authentication processes. Specifically, it is used to unlock smartphones, access secure areas, perform financial transactions. etc.

2) **Facial recognition –** Apps now allow corporate clients to approve transactions using facial recognition software, which cross-reference a pre-recorded image for verification. The technology scans a face based on approved parameters and measurements. The parameters are called face prints.

3) **Voice recognition –** Organisations use voice recognition as a form of two-factor authentication; they record a customer's voice pattern and verify transactions over the phone.

4) **Eye scanners –** These include retina and iris scanners but can be unreliable if a person wears a contact lens.

Most common types of physical biometrics

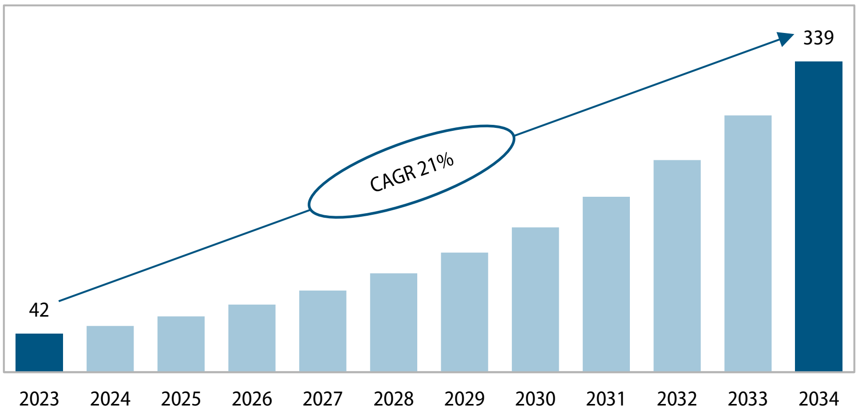


Source: Spiceworks

There are also behavioural biometrics – this involves studying patterns in behaviour, such as keyboard strokes or mouse movements, to detect fraudulent activity. Behavioural biometrics harness the characteristics that make an individual unique to create a profile that is almost impossible to replicate. Such demand is increasing as committing fraud becomes more sophisticated.

The key objective of biometrics is to enhance security in various sectors of the global economy. Sectors with the most notable usage of biometrics include banking, government, healthcare and commercial. Increase in digitalization is pushing global demand for security features. Precedence Research (PR) estimates such a market to grow from US$42bn in 2023 to US$50bn in 2024. Going forward, PR expects the market to grow at an average 21% annually to reach US$339bn in 2034. This is significantly more than IMF's world GDP estimate (even including inflation). The IMF expects GDP to grow below 3% on average until 2029, with inflation rising slightly more than 3%.

Global market for biometrics (US$ bn)



Source: Precedence research

Key drivers of demand for biometric authentication are: 1) security needs (authentication), 2) technological advancements, 3) regulatory compliance, 4) rising demand for contactless solutions and 5) growing use of biometrics in consumer electronics.

Starting with the last one, Allied Market Research expects the mobile biometrics market to see a 22.5% CAGR between 2022 and 2031 to reach US$184bn, representing more than 50% of all the market for biometrics. Persistence Market Research shares similar growth expectations, suggesting the market will be grow 21.2% per year up until 2032 to reach US$208bn. Fingerprint recognition is expected to remain the largest segment and be the key revenue generating segment for mobile biometrics companies. Mobile biometric authentication helps identify and validate the identity of the user. Cisco reports that 81% of smartphones had built-in biometrics capabilities in 2022, and this trend will improve. Such technology is used to unlock devices, secure transactions and payments (such as for Apple Pay or Google Pay), improve the security of applications (e.g. banking apps) and monitor health and wellness.

Security breaches – rising concern

According to Forbes, there were 2,365 cyber-attacks in 2023 that trapped 343m victims. The number of data breaches has jumped 72% since 2021 (all-time high previously). The cost of data breaches averaged US$4.9m in 2024 around the world. The total cost of cybercrime is estimated to reach US$10.5tr by 2025, according to a Cybersecurity Ventures Cybercrime report.

Most common types of identity theft

Rank	Theft Type	Number Of Reports In 2023
1	Credit card fraud	416,636
2	Other identity theft	260,820
3	Loan or lease fraud	149,804
4	Bank account fraud	136,852
5	Government documents or benefits fraud	97,038

Source: Forbes Advisor via Federal Trade Commission Consumer Sentinel Network Embed

Biometrics is key to digital transformation in the banking sector…

Biometrics can help banking improve customer experience, enhance the security of transactions, prevent fraud and help comply with regulatory requirements among other factors. Biometrics is already lending a helping hand in several ways:

1) **Customer onboarding –** Biometrics can help verify identities of clients that want to open an account. BBVA's 3Q24 results presentation suggests it acquired 67% of new customers through digital channels, compared with only 20% in 2019. This underpins the importance of improving the verification procedure to keep away criminals. Digital sales represented 78% of all transactions in 3Q24, and almost 70% of customers used mobile channels in their day-to-day operations.

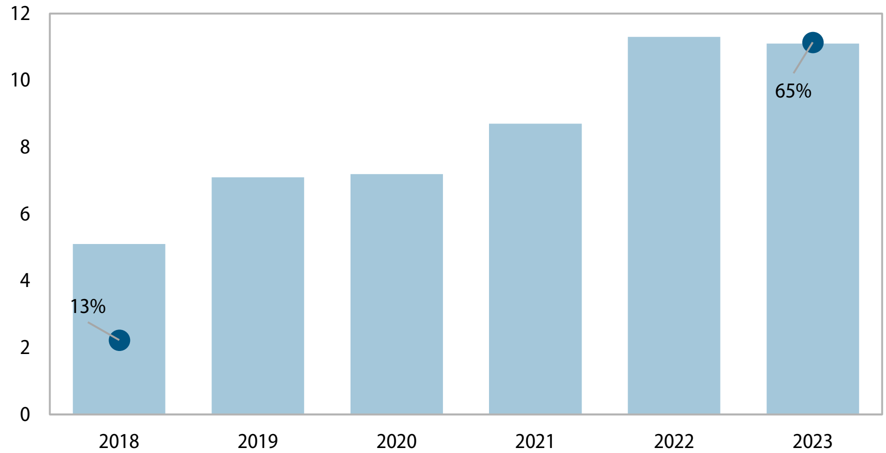
2) **Customer re-authentication –** Banking applications provide biometric options or password features if one needs to log in to their bank account. Use of biometric methods speed up the process and reduce risks of data being stolen or lost, as can happen to customer using traditional passwords.

3) **Mobile banking –** The global online banking market stood at US$12.9bn in 2023, and Spherical Insights expects it increase to US$44.9bn by 2033 at 13% per year (see report). According to Banking Exchange, mobile banking is set to outpace digital banking.

4) **Branch banking –** Digital banking may not be the only one to adopt biometrics. Traditional branches are also likely to rely on such technology to help streamline their authorization processes. Branches could use biometrics to grant access to safe deposit boxes or simply enter a branch.

5) **ATMs –** Some banks are actively implementing the new ATM technology that relies on biometrics. In Spain, CaixaBank launched the first ATM with facial recognition technology in 2020 (in alliance with Facephi). Such ATMs are equipped with cameras and software capable of validating up to 16k points of a user's face.

Number of new clients (m) and percentage (%) acquired via digital channels

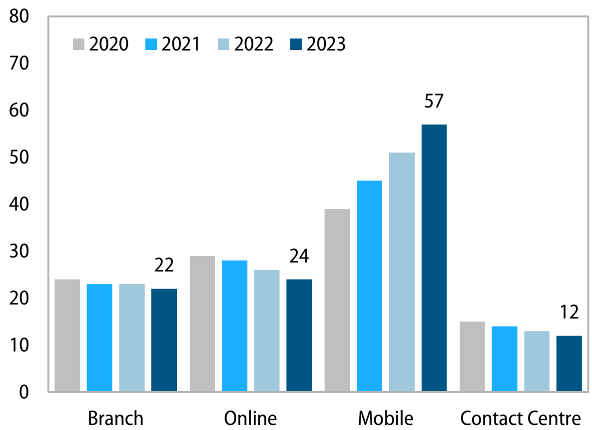


Source: BBVA 2023 results presentation

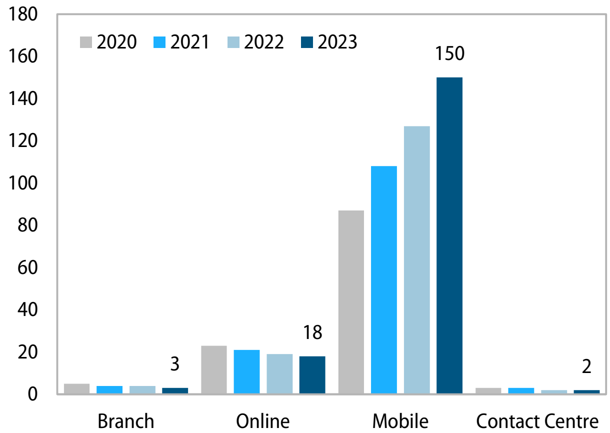
Research and Markets estimates the global market for biometrics in the banking sector at US$5.9bn currently but should grow by c. 12.6% on average until 2030 when it is expected to reach US$15.2bn. Biometrics provide banking customers with a simple and a convenient way to sign up or gain access to their bank accounts. Use of biometrics has become more and more widespread with increasing digitalisation of the banking sector. According to Innowise, 61% of consumers in the US indicate they are willing to switch only to a digital bank. McKinsey suggests banks should prepare themselves for the mobile channel to be the primary source of interaction with consumers.

Mobile adoption is growing rapidly in the banking sector. McKinsey's estimates are in line with Innowise's forecasts. It refers to Finalta Research that estimates the share of consumers actively using the mobile channel for banking reaching 57% in 2023, up 18pp from 2020. The number of annual touchpoints shot up 72% over the same period to 150 and is the largest compared with other channels. Online banking has been losing in terms of usage, and it looks like the mobile channel will surpass all the traditional channels in the next few years. The share of core product sales remains the highest in branches but has been declining rapidly. We believe this trend may be related to security concerns that could be addressed with biometrics.

Active channel users (% of total)



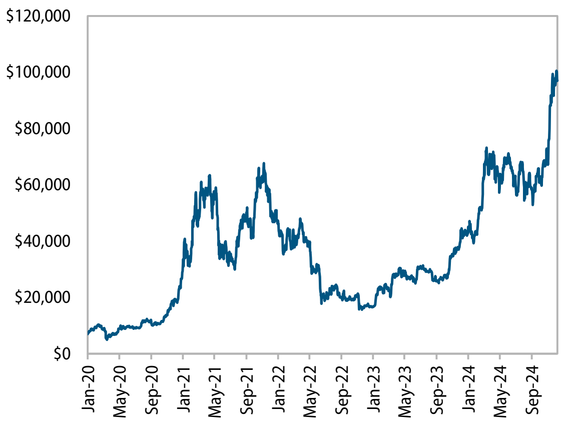
Annual number of service touchpoints per customer



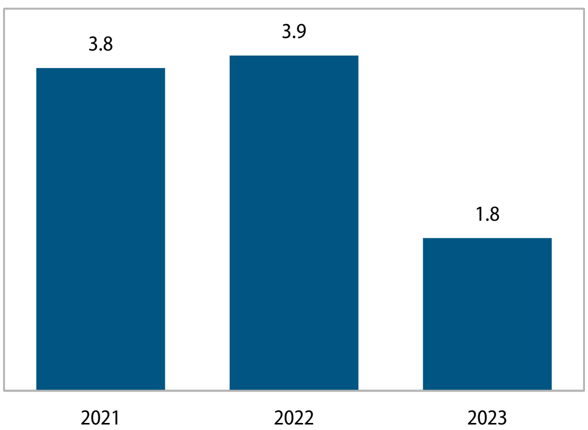
Source: McKinsey

Expanding the crypto market is another opportunity. Hackers successfully stole US$196m from a popular exchange in 2019. This is just one example, and there are many more from the recent past. According to Reuters, hackers stole US$1.38bn worth of cryptocurrencies in 2024. As the size of the crypto market continues to increase, so should the need for security and biometrics in order to reduce fraud and hacker attacks.

Bitcoin price (US$)



Losses due to fraud and hacks (US$ bn)



Source: Bloomberg and Immunefi

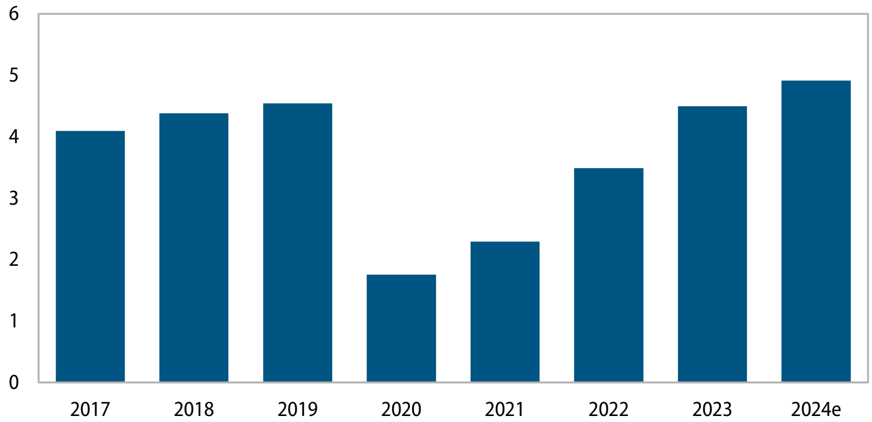
…which is expanding across new industries

Healthcare should see increased usage of biometrics as it could help identify patients and enable access to medical records. Biometric data could also help in monitoring patients by remotely collecting data such as the heart rate, blood pressure or oxygen levels (functions performed by Apple Watch). Such a process could help reduce the need for in-person medical appointments and decrease the burden on the healthcare infrastructure. According to PR, the market for biometrics should grow 17.4% per year up until 2032 to reach US$30bn.

Size of the biometric service market in airports worldwide has reached US$116bn in 2024, according to Coherent Market Insights. It should grow by an average of 11% between 2024 and 2031 to reach US$245bn, driven recently by the global pandemic, which pushed the demand for contactless solutions. Such systems enable passengers to complete tasks faster (check in or boarding, among others). Biometric technology enhances the security of these tasks. With the growing flow of passenger traffic, the market is also expected to expand further. Some airports already use fingerprints and face recognition as complementary security measures. Additionally, there is an opportunity to expand biometric services in border control.

The most widely recognized representation of biometrics in the travel sector is CLEAR (YOY US Equity), a verification company that targets airline passengers. CLEAR uses facial, iris and fingerprint biometrics to ensure smooth passenger transition at airport security checkpoints.

Global PAX (bn)

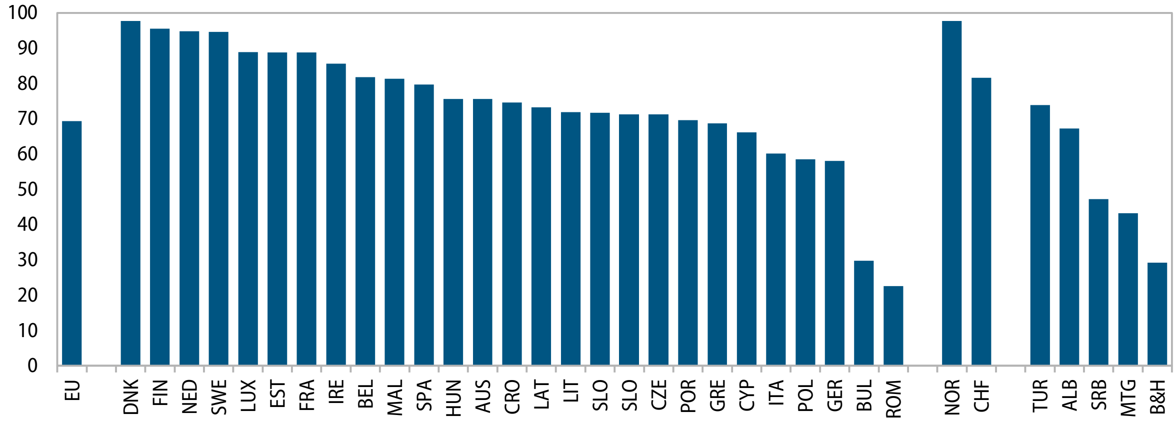


Source: IATA

According to IATA, the industry needs to implement automation, digitalization and efficient seamless processes. In this regard, in October 2024 Facephi participated in a biometric proof of concept (PoC) for IATA, in collaboration with travel and transportation sector industry players such as Cathay Pacific, Hong Kong International Airport, Naritia International Airport and other technology providers. Specifically, the PoC demonstrated the practical application of digital identity and biometric verification for a round-trip between Hong Kong and Tokyo using a digital wallet (integrating seven verifiable credentials: ePassport copy, live biometric image, visa copy, company ID, frequent flyer membership, order and boarding pass). This PoC is a milestone in Facephi's strategic expansion into the travel and transportation sector using biometric authentication to eliminate the need to show travel documents.

Government – Digital ID is the theme of the future. The European Commission (EC) recently released a report in which it looks at numbers of interactions that individuals have with public authorities via website or mobile channels. As of 2023, 69% of individuals aged 16-74 in the European Union (EU) interacted with public authorities via digital channels. Additionally, the Digital Decade programme assumes all public services should be accessible via digital channels by 2030. Furthermore, the Next Generation EU package includes €250bn for digitalization that aims to improve the digital skills of the EU population. The goal is to make 80% of the EU population capable of using digital technologies.

Percentage of population that used a website or app of a public authority in the past 12 months, 2023



Note: % of individuals aged 16-74
Source: Eurostat

Defence – Accurate and secure background checks are crucial for recruitment in the defence sector. Biometric technology can help verify identities through unique biological markers. Research shows that the aerospace & defence sector should grow from US$750bn in 2022 to US$1.4tr by 2030. Defence organizations are more vulnerable to digital attacks. A recent attack on the UK MOD exposed details of 270k armed forces personnel. Biometric technology enables organizations to identify and authenticate individuals based on their unique characteristics. Biometrics can make sure an employee's identity is verified before they access sensitive information. It also plays a crucial role in real-world military operations, controlling access to secure facilities and allowing only authorized personnel with appropriate security clearance to pass through checkpoints. This ensures that no uninvited intruders can gain entry.

Retail – One of the key benefits of implementing biometrics in a retail environment is enhanced security. Such technology can prevent and reduce fraud, and even help in identifying shoplifters. Retailers lose nearly US$100bn annually from return fraud, coupon stacking and bots. Implementation of biometric verification can help reduce the losses materially.

Regulation and biometrics – shaped by varying regulatory environments: From a regulatory perspective, Europe represents a more mature and stringent environment for biometric technology with strict laws such as the **GDPR, which** impose significant compliance burdens on companies, especially regarding consumer consent, data protection, and the use of sensitive biometric data. While these steps foster trust and create a stable environment for biometric adoption in sectors such as banking and government, it could slow adoption in industries such as retail or public surveillance. On the other hand, Latin America (from where Facephi obtains the bulk of its revenues) offers a more permissive regulatory landscape that could foster faster adoption, especially in consumer-facing industries, but also carries the risk of rapid changes in regulations as governments strengthen data privacy frameworks.

In conclusion, the biometric sector presents compelling growth potential, although regulation remains the main uncertainty. The biometric technology market holds significant growth potential, driven by rising security needs, technological advancements and increasing demand for contactless solutions. As cyber threats and identity theft escalate, biometrics are becoming an indispensable tool across industries. In the financial sector – where Facephi generates most of its revenues – biometrics streamline customer onboarding, enhance mobile security and simplify transactions. Expanding into new industries (such as retail, travel and healthcare) presents a strong growth driver for biometrics. However, evolving regulatory frameworks, particularly around data privacy and the ethical use of biometric data, remain a key challenge that could impact market growth and adoption rates.

Overview and strategy

Founded in 2012 and headquartered in Alicante, Spain, Facephi is a technology company specialising in digital identity verification, authentication and onboarding solutions. Over the past decade, Facephi has developed a robust portfolio of proprietary biometric technologies designed to enhance security, accessibility and fraud prevention, while ensuring ethical data processing. The company has established itself as a key player within the financial services industry – a sector where it has achieved significant market penetration; it is also actively pursuing a diversification strategy aimed at replicating its success in the financial sector in new markets such as travel and public administration. This strategy positions Facephi well to capture growth opportunities in markets with rising demand for secure digital identity solutions. Beyond its headquarters in Spain, Facephi operates through regional subsidiaries, including EMEA (London, UK), APAC (Seoul, South Korea), and LatAm (Montevideo, Uruguay). Facephi has 233 employees (including 70% technical staff) and generates 94% of its revenues in LatAm (mainly Argentina, Costa Rica, México and Panamá).

Facephi operates a scalable business model based largely on licensing its proprietary biometric technology to B2B companies, resulting in strong gross margins (c. 85% of sales). The company integrates its solutions into clients' workflow to create significant switching costs – as transitioning to another provider would require re-auditing and re-certifying processes to comply with regulatory standards. These dynamics establish high barriers to entry and reinforce customer retention.

Valuation and catalysts

We value Facephi through a discounted cash flow (DCF) methodology as we believe it is the most appropriate valuation technique to capture its expected top-line growth and profitability expansion. Our DCF model includes explicit free cash flow forecasts up to 2031. We use a discount rate (WACC) of 10% for the explicit period and for the terminal value. As for long-term growth rate, we assume 2%. We reach an enterprise value (EV) of €76m, from which we subtract the 2024 Net Debt of €8.3m (excluding convertibles and shareholding loans). We adjust the number of shares to reflect the dilution arising from convertibles drawn (€0.6m) and shareholding loans (€3.8m with Nice & Green and €5m with Hancom). Last, we adjust a 20% standard liquidity discount, given Facephi's reduced size and trading volume (€40k/day over the past 12 months).

We reach an Equity Value of €55m for an end-2025 target price of €2.0/shr. Key catalysts include: i) results releases, confirming the company's top-line growth and consequent margin improvement potential; ii) announcements regarding new clients, demonstrating increasing penetration; and iii) strategic partnerships to accelerate growth in regions such as APAC and EMEA.

DCF Valuation Facephi

DCF Analysis	2025e	2026e	2027e	2028e	2029e	2030e	2031e	T. Value
FCFF	**-3.0**	**0.9**	**1.6**	**3.3**	**4.6**	**6.3**	**8.0**	**8.9**
Discount factor	1.0	1.1	1.2	1.3	1.5	1.6	1.8	1.8
PV FCFF	**-3.0**	**0.8**	**1.3**	**2.4**	**3.2**	**3.9**	**4.5**	**5.0**
EV (25e-31e)	13.1	17%						
EV - Terminal value	62.6	83%						
Total EV	**75.7**							
(-) Net debt 24e (ex-convertibles)	8.3							
Total Equity	**67.4**							
Current Nº of Shares (m shares)	22.6							
Hancom convertible shares (m shares)	1.7	€5m at €2.95/shr						
Nice & Green shareholder loan (August)	1.1	€1.8m at €1.63/shr						
Nice & Green shareholder loan (October)[1]	1.3	€2m at 103% of the VWAP of reference (Maturing in 2025)						
Nice & Green Convertible[1]	0.4	€0.6m at 92% of the VWAP (Maturing in 2025)						
Treasury Stock	0.4							
Fair Value (€/Shr)	**2.5**							
(-) Liquidity disc (20%)	-0.5							
Target Price (€/Shr)	**2.0**							

DCF Assumptions: 10% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".
Note 1: For valuation purposes, we use current market prices to estimate the VWAP and resulting share issuance. However, the actual VWAP and resulting number of shares will vary depending on the share price at the time of conversion.
Source: JB Capital estimates

Recommendation

We initiate coverage of Facephi with a Buy rating and a €2.0/shr target price (25% upside). We base our Buy rating on the following factors: i) Sector tailwinds driven by the digital transformation of businesses and increasing regulatory demand for secure digital identity solutions; ii) strong growth and margin expansion expectations, with 18.5% CAGR for sales in 2024-28 and an outlook for sustained margin expansion, reaching EBITDA of €10m by 2027 (20% EBITDA margin vs breakeven in 2024); and iii) valuation, as we expect Facephi to trade at 6.4x EV/EBITDA for 2026 (vs the 10x average for its main peers).

P&L

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Revenues	7	13	22	25	28	36	43
EBITDA	0	1	4	-1	-1	4	7
Depreciation	-1	-1	-2	-5	-5	-5	-5
Provisions	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
EBIT	0	-1	2	-5	-6	-1	2
Net financial result	-2	0	-1	-2	-1	-1	-1
Associates	0	0	0	0	0	0	0
Non-recurrent results & others	0	0	0	0	0	0	0
PBT	-2	-1	1	-7	-7	-2	1
Taxes	0	0	0	3	1	0	0
Results from discontinued operations	0	0	0	0	0	0	0
Minorities	0	0	0	0	0	0	0
Net Attributable profit	-2	-1	1	-4	-6	-1	1

BALANCE SHEET

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Tangible assets	0	0	2	3	3	3	2
Intangible assets	4	5	8	12	12	13	14
Financial assets & Associates	0	0	0	0	0	0	0
Other L/T assets	0	2	7	12	12	12	12
Inventories	0	0	0	0	0	0	0
Account Receivable	4	8	13	15	17	20	23
Other S/T assets	0	0	0	1	1	1	1
Cash & cash equivalents	6	2	2	3	3	3	3
TOTAL ASSETS	16	18	32	46	48	52	55
Shareholders' equity	7	9	15	20	23	24	25
Minority interests	0	0	0	0	0	0	0
L/T Financial debt	6	5	4	3	3	4	4
L/T Provisions	0	0	0	0	0	0	0
Other L/T liabilities	0	0	1	0	0	0	0
S/T Financial debt	2	2	4	10	10	11	11
Accounts payable	1	3	5	11	10	11	14
Other S/T liabilities	0	0	3	2	2	2	2
TOTAL LIABILITIES	16	18	32	45	48	52	55

Source: Company data, FactSet and JB Capital estimates

CASH FLOW STATEMENT

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
EBITDA	0	1	4	-1	-1	4	7
Net financial result	0	0	0	-1	-1	-1	-1
Dividends collected	0	0	0	0	0	0	0
Taxes	0	0	0	0	1	0	0
Change in Working Capital	-1	-8	-7	1	-3	-1	0
Other CF from operations	5	6	-2	2	0	0	0
Cash Flow from Operations	**3**	**-2**	**-6**	**1**	**-3**	**2**	**6**
CAPEX	-12	-3	-2	-10	-6	-6	-6
Disposals	0	0	0	0	0	0	0
Financial investments	1	0	0	0	0	0	0
Other CF from investments	0	0	0	0	0	0	0
Cash Flow from Investments	**-12**	**-3**	**-2**	**-10**	**-6**	**-6**	**-6**
Dividends	0	0	0	0	0	0	0
Change in capital stock	0	0	5	8	9	3	0
Treasury stock variation	0	0	0	0	0	0	0
Debt variation (net)	7	4	4	2	0	0	0
Other CF from financing	1	1	0	0	0	0	0
Cash Flow from Financing	**7**	**5**	**9**	**10**	**9**	**3**	**0**
Exchange rate effect	0	0	0	0	0	0	0
Net increase in cash & cash equivalents	**-1**	**0**	**0**	**1**	**-1**	**-1**	**0**
Net debt variation	**1**	**4**	**4**	**2**	**1**	**1**	**0**

Per share data/ Leverage/ Profitability/ Valuation

	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Last price (€)	5.1	3.9	2.5	2.0	1.6	1.6	1.6
Number of shares (m)	14	15	17	21	23	23	23
Market capitalization (€m)	79	66	48	56	36	36	36
Net Debt	1	5	9	10	11	12	11
EV (€)	80	71	56	66	47	48	48
EPS (€)	-0.13	-0.04	0.06	-0.20	-0.26	-0.06	0.05
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ND/EBITDA (x)	1.1	6.9	2.3	-17.0	-11.0	3.0	1.5
ND/(Equity + ND) (%)	7.2	35.0	36.4	33.9	32.3	33.0	31.4
EBITDA margin (%)	6.5	5.2	16.7	-2.4	-3.6	11.0	17.2
EBIT margin (%)	-5.0	-4.6	7.8	-21.4	-22.1	-2.9	4.8
ROE (%)	-26.4	-6.4	7.3	-21.5	-25.8	-5.6	4.1
ROCE (pre-tax) (%)	-2.8	-4.3	9.0	-22.8	-22.9	-3.7	7.0
EV/EBITDA	167.9	103.5	15.1	nm	nm	12.1	6.4
EV/EBIT	nm	nm	32.3	nm	nm	nm	23.2
FCFe yield (%)	nm	nm	0.9	0.9	nm	nm	1.0
FCF/EV (%)	0.1	nm	2.1	3.3	0.5	nm	2.2
P/E	nm	nm	43.0	nm	nm	nm	34.8
P/CF	nm	90.3	15.5	118.9	nm	9.8	5.7
P/B	11.3	7.6	3.1	2.8	1.6	1.5	1.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, FactSet and JB Capital estimates

PROFITABILITY

FY End Dec (%)	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Gross Margin	80.7	85.7	85.7	86.6	85.5	86.7	86.6
EBITDA Margin	6.5	5.2	16.7	-2.4	-3.6	11.0	17.2
EBIT Margin	-5.0	-4.6	7.8	-21.4	-22.1	-2.9	4.8
EBT Margin	-27.5	-6.5	4.6	-28.0	-25.2	-5.0	3.2
Net Margin	-25.5	-4.2	5.0	-17.1	-21.2	-3.7	2.4
Return on Assets	nm	nm	3.4	nm	nm	nm	1.9
Return on Equity	-26.4	-6.4	7.3	-21.5	-25.8	-5.6	4.1
Return on Capital Employed	-2.8	-4.3	9.0	-22.8	-22.9	-3.7	7.0
Return on Investment	-21.9	-4.4	1.2	-13.2	-14.2	-4.0	0.7

VALUATION

FY End Dec (x)	2020a	2021a	2022a	2023a	2024e	2025e	2026e
P/E	nm	nm	43.0	nm	nm	nm	34.8
P/E (diluted)	nm	nm	43.0	nm	nm	nm	42.3
P/BVPS	11.3	7.6	3.1	2.8	1.6	1.5	1.4
P/Tangible BVPS	11.3	7.6	3.1	2.8	1.6	1.5	1.4
P/CFPS	nm	90.3	15.5	118.9	nm	9.8	5.7
P/FCFPS	nm	nm	nm	nm	nm	nm	97.2
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Div payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV	80	71	56	66	47	48	48
EV/Sales	11.0	5.4	2.5	2.6	1.7	1.3	1.1
EV/EBIT	nm	nm	32.3	nm	nm	nm	23.2
EV/EBITDA	167.9	103.5	15.1	nm	nm	12.1	6.4
Net Debt/EBITDA	1.1	6.9	2.3	-17.0	-11.0	3.0	1.5
FCFe yield (%)	nm	nm	0.9	0.9	nm	nm	1.0
FCF / EV (%)	0.1	nm	2.1	3.3	0.5	nm	2.2
Net Debt /(Equity + Net Debt)	7.2	35.0	36.4	33.9	32.3	33.0	31.4

Source: Company data, FactSet and JB Capital estimates

DISCLAIMER

Investors should only consider this report as one of many factors in making their investment decision. No person accepts any liability whatsoever for any loss howsoever arising from the use of this document or of its contents or otherwise arising in connection therewith. JB Capital Markets, S.V., S.A.U. ("JB Capital") is the entity responsible for the production of this Research Report and its content, regulated and supervised by the National Securities Market Commission (CNMV), in whose Official Register of Companies and Securities Agencies it is registered under number 229. JB Capital is qualified to carry out financial intermediation activities in Portugal and the rest of the European Economic Area through the freedom to provide services under the supervision of CNMV.

Prices of securities correspond to the close price of the last trading day prior to the date of this report.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report:: David López Sánchez (Equity Research Analyst).

The Analyst(s) are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

For Entities and Clients in the United States

JB Capital is not a U.S. resident and is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. JB Capital is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. JB Capital distributes research and engages in other approved activities with respect to U.S. Institutional investors through SEC 15a-6 exemption rules under an exclusive chaperone agreement with Brasil Plural Securities LLC ("BPS"). JB Capital is not registered as a broker dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). BPS is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

This research report is only being offered to Major U. S. Institutional Investors and is not available to, and should not be used by, any U. S. person or entity that is not a Major U. S. Institutional Investor. A Major U. S. Institutional Investor who may receive and use this report must have assets under management of more than US $100,000,000 and is either an investment company registered with the SEC under the U. S. Investment Company Act of 1940, a U.S. bank or savings and loan association, business development company, small business investment company, employee benefit plan as defined in SEC Regulation D, a private business development company as defined in SEC Regulation D, an organization described in U. S. Internal Revenue Code Section 501(c)(3) and SEC Regulation D, a trust as defined in SEC Regulation D, or an SEC registered investment adviser or any other manager of a pooled investment vehicle. JB Capital cannot and will not accept orders for the securities covered in this research report placed by any person or entity in the United States that is a recipient of this research report. Orders should be placed with our correspondent chaperone, BPS.

The Research analysts, strategists, or research associates principally responsible for the preparation of this research report have received compensation based upon various factors, including quality of research, investors client feedback, stock picking and overall firm revenues. This report is not being issued to private customers.

For Entities and Clients in the United Kingdom

JB Capital has exited the U.K. Temporary Permissions Regime ("TPR") with respect to the services we provide in the U.K. The TPR was introduced by the U.K. authorities to enable EEA-based firms that were passported into the U.K. pre-Brexit (whilst the U.K. was still part of the EU single market) to continue to benefit from similar passporting and access rights in the U.K. for a temporary period post-Brexit. Upon exiting the TPR, JB Capital has not applied to the U.K. Financial Conduct Authority for authorisation to carry on regulated activities in the U.K. This is because we rely on the Overseas Persons Exemption ("OPE") under the U.K. FSMA Regulated Activities Order 2000 ("RAO"). The OPE allows international firms to operate in the U.K. without FCA authorisation provided they meet certain conditions. To ensure that we are able to benefit from the OPE on an ongoing basis for any potentially U.K.-regulated activities, JB Capital has controls in place to limit our overall U.K. activities and the services that we provide in the U.K.

This research report is only being offered to U. K. Professionals Investors and High Net Worth Companies is not available to, and should not be used by, any U.K. person or entity that is not U.K. Professionals Investors and High Net Worth Companies. A U.K. Professionals Investors and High Net Worth Companies who may receive and use this report must be: U.K. authorised persons; persons exempted from U.K. licensing; any other person whose ordinary activities involve carrying on the regulated activity to which the communication relates for its business; a government, local authority or an international organisation; and a director, officer or employee of any of the above, but only in that capacity; a body corporate with more than 20 members – if it has a share capital or net assets of at least £500,000, or if it is in the same group as an undertaking that meets this test; a body corporate with 20 members or less – if it has a share capital or net assets of at least £5 million, or if it is in the same group as an undertaking that meets this test; any unincorporated association or partnership with net assets of at least £5 million; trustee of a trust where the aggregate value of the cash and investments within the trust amount to at least £10 million, or amounted to at least £10 million anytime during the year immediately preceding the date on which the communication was first made.

JB Capital cannot and will not accept orders for the securities covered in this research report placed by any person or entity in the U.K. that is a recipient of this research report who are not authorised person by the FCA.

Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the research report contains more complete information concerning the analyst's views, investors should carefully read the entire research report and not infer its contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

ANALYST STOCK RATINGS

Buy – Analyst expects material upside potential to fair value, which should be realized in the next 12 months.

Neutral- Analyst expects immaterial upside/downside potential, which should be realized in the next 12 months.

Underweight - Analyst expects material downside potential to fair value, which should be realized in the next 12 months.

The list of recommendations and the proportion of issuers covered by JB Capital that fall in each of these categories is available at www.jbcm.com/researchdisclosure.pdf.

Other Important Disclosures

This research report has been published in accordance with our conflict management policy, which is available at www.jbcm.com/conflictpolicies.pdf. In this regard, potential conflicts of interests may be raised with the persons involved on the production of the report, any person closely associated with them, or any other employee of JB Capital that is expected to have access to this report prior its completion.

The remuneration of the persons involved in preparing this report is not directly tied to transactions performed, trading fees received or services provided by companies within the group of JB Capital.

This research report is directed only at persons who can be classified as eligible counterparties or professional clients in line with the rules of the Spanish regulator. No other person should act on the contents or access the products or transactions discussed in this research report. In particular, this research report is not intended for retail clients and JB Capital will not make such products available to retail clients.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. JB Capital recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser, including tax advice. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

This report is not an offer to buy or sell any security or to participate in any trading strategy. JB Capital and/or its affiliates, officers, directors, employees and/or any other related person not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report.

JB Capital, or any of its subsidiaries, does not own a net long or short position exceeding the threshold of 0,5 % of the total issued share capital of the issuer, calculated in accordance with Article 3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012.

The issuing institution under analysis does not have holdings on JB Capital 's share capital, or any of its subsidiaries.

JB Capital may sell to and buy from customers and/or may hold equity securities, other financial instruments related to equity securities and debt securities of companies covered in its research reports on a principal basis. JB Capital does and seeks to do business in the following six months with companies covered in this report and its subsidiaries and in transactions involving the latter. In this regard, JB Capital or any of its subsidiaries or tied agents may currently maintain, and may continue to maintain in the future, remunerated business relationships with some companies covered in this research report, relating to any of the following services: (i) corporate finance services agreements (ii) liquidity provider, share buyback programmes (iii) investment banking services or (iv) agent, underwriter, global coordinator or joint bookrunner in issues of financial instruments, among other possible services offered. In particular, JB Capital signed a Financial Services Agreement with Oryzon Genomics, S.A. in October 2024. Furthermore, JB Capital has entered into an Underwritting Agreement with Amper, S.A. to act as global coordinator and joint bookrunner in the rights issue of Amper, S.A., as disclosed in the relevant event (*otra información relevante)* published by the Company in November 2023. In addition, JB Capital has entered into a placement agreement with Amper, S.A. to act as global coordinator and bookrunner in the bond issuance of Amper, S.A. which was disclosed in the relevant event (*otra información relevante*) published by Amper, S.A. in July 2024. Also, JB Capital informs that it has placed commercial paper for CIE Automotive S.A. under its ECP Programme. In addition, JB Capital informs that it has entered into Placement Agreements with Promotora de Informaciones S.A. (PRISA), respectively, in January 2023 and in January 2024, for participating as Joint Global Coordinator and Bookrunner in the subordinated mandatory convertible bonds issuances of Promotora de Informaciones S.A. (PRISA). The securities notes (Nota de Valores) for the offering was registered with the CNMV in January 2023. And in March 2023 JB Capital has signed an agreement as a market consultant with Novabase, SGPS, SA in its partial and voluntary tender offer announced on February 2023. Furthermore, JB Capital informs that, during the last 12 months, it has entered into a corporate access service with Agile Content, S. A. and Greenvolt – Energias Renováveis, S.A. In addition, in the last 12 months JB Capital signed a corporate finance services agreement with Soltec Power Holdings. JB Capital informs that it has signed an agreement in March 2021 with Ramada e Investimentos e Industria S.A., in May 2020 with Atrys Health, S.A., in January 2020 with Mota-Engil, SGPS, S.A, in

March 2022 Ibersol, SGPS, S.A., in April 2022 with Inmobiliaria del Sur, S.A.,in July 2022 with Parlem Telecom Companyia de Telecomunicacions, S.A., in October 2022 with Izertis, S.A., in January 2024 with GAM, General Alquiler de Maquinaria, S.A., in January 2024 with Audax Renovables, S.A. ,in June 2024 with Natac Natural Ingredients, S.A., in August 2024 with Enerside Energy, S.A. and in September 2024 with Facephi Biometría, S.A. about "sponsoring research". Furthermore, JB Capital is liquidity provider of Metrovacesa S.A., Gestamp Automocion, S.A., Promotora de Informaciones S.A. (PRISA), Tubacex, S.A, Merlin Propierties Socimi, S.A., Grenergy Renovables, S.A., Soltec Power Holdings S.A, and CIE Automotive, S.A.'s; it carries out Arima Real Estate Socimi, S.A.'s share buyback plan and it carries out Ibersol, SGPS, S.A.'s, Aedas Homes, S.A.'s, Promotora de Informaciones S.A. (PRISA) and CTT - Correios de Portugal, S.A.'s buy-back programmes. Additionally, it was liquidity provider of Prosegur Cash, S.A., CIE Automotive, S.A., Pharma Mar, S.A., Opdenergy Holding S.A. and Arima Real Estate Socimi, S.A. and it carried out CIE Automotive, S.A., Prosegur Cash, S.A., Pharma Mar, S.A., CTT - Correios de Portugal, S.A.'s, Promotora de Informaciones S.A. (PRISA)'s, Prosegur, Compañía de Seguridad, S.A.'s, Tubacex, S.A.´s, Neinor Homes, S.A.'s, CIE Automotive, S.A. 's , Arima Real Estate Socimi, S.A.'s and Grenergy Renovables, S.A.'s buy-back programmes. JB Capital provides brokerage services to Iberdrola S.A., Repsol S.A., Prosegur Cash S.A. and Izertis S.A. Furthermore, JB Capital has provided, may be providing and may provide in the future brokerage services, or other regulated services, to the issuers listed above and JB Capital may be involved in other programmes involving shares of the companies included in this report. As a result, investors should be aware that JB Capital may have a conflict of interest that could reasonably affect the objectivity of this research report.

JB Capital may hold information that could be considered confidential or even inside information in relation with the companies covered in its research reports or any other company of the sector.

JB Capital makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. There is no planned frequency for updating recommendations. They will be updated, among other reasons, when the financial situation or expectations on the issuer or any of the assumptions used in the valuation change. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by JB Capital research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other JB Capital business areas, including corporate personnel. JB Capital may have provided the issuer with sections of this report or a version of the draft research report in order to verify the accuracy of factual statements.

JB Capital research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Estimates of future performance are based on assumptions that may not be realized.

Redistribution

As a general rule, no part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of JB Capital. In this regard, JB Capital has signed a redistribution agreement for Izertis, S.A.'s ,Natac Natural Ingredients, S.A. 's and Facephi Biometría, S.A. reports with Izertis, S.A. ("Izertis"), Natac Natural Ingredients, S.A. ("Natac"), Facephi Biometría, S.A. and Bolsas y Mercados Españoles, Sistemas de Negociación, S.A. ("BMESN") complying with the restrictions of Article 8 of Delegated Regulation 2016/958. In this respect, JB Capital informs that it has signed a sponsor research agreement with Izertis in October 2022, with Natac in June 2024 and with Facephi in September 2024. .JB Capital is not responsible for the redistribution of these reports.

However, this research report may also be accessed via certain virtual platforms managed, directly or indirectly, by entities such as Visible Alpha, L.L.C. Alphasense, Inc. or Bloomberg Finance, L.P., among others. Please note, that JB Capital may have entered into one or more contribution or participation agreements with the aforementioned entities, allowing certain users authorized by JB Capital to access this research report through certain virtual platforms. For avoidance of doubt, this research report shall be considered as directly distributed by JB Capital and in no case shall be considered as distributed or redistributed by such entities managing the aforementioned virtual platforms.

As defined in our conflict management policy, potential conflicts of interests may be raised regarding the report`s redistribution. Nevertheless, to this day, no conflict of interest has been identified with BMESN.

JB Capital is responsible for identifying the date and time of distribution of the report which is reflected in the report. Izertis, Natac, Facephi and BMESN are responsible for identifying the date and time of redistribution. JB Capital is in no case responsible for identifying the date and time of redistribution.

If a substantial alteration is made on any recommendation produced by JB Capital, the redistributor will ensure that the recommendation clearly indicates the substantial alteration in detail. To this extent, the recommendation will be updated to provide the information required in Articles 2 to 5 of the Delegated Regulation 2016/958, as referred to in previous sections of this disclaimer, and to include a reference to the place where the information regarding the original recommendation can be accessed by the persons receiving the substantially altered recommendation free of charge.

Under no circumstances the dissemination of a summary or an extract of a recommendation produced by JB Capital will be allowed.

This research report is directed only at persons who can be classified as eligible counterparties or professional clients in line with the rules of the Spanish regulator. No other person should act on the contents or access the products or transactions discussed in this research report. In particular, this research report is not intended for retail clients and JB Capital will not make such products available to retail clients. For Entities and Clients in the United States and in the United Kingdom, please refer to the relevant sections of this disclaimer. In the event that this report is read by an ineligible type of client, no person from JB Capital accepts any liability whatsoever for any loss howsoever arising from the use of this document or of its contents or otherwise arising in connection therewith.

THIS DOCUMENT IS BEING SUPPLIED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS.