

6m Results 2024

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 Opinion⁽¹⁾: Below expectations

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 Impact⁽¹⁾: We will have to lower our estimates

Business description

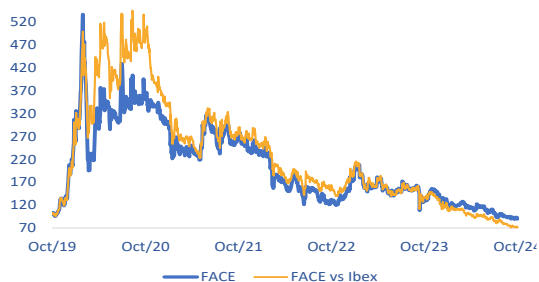
FacePhi (FACE) is a Spanish tech company based in Alicante and with offices in South Korea, Uruguay and the UK. It specialises in the development and marketing of software for identity authentication via digital onboarding solutions and biometric authentication. It is present in Latam (today its main market; c. 95% of 2023 revenue) and has a strong position in the financial sector.

Market Data

Market Cap (Mn EUR and USD)	33.9	36.6
EV (Mn EUR and USD) ⁽²⁾	45.7	49.4
Shares Outstanding (Mn) ⁽⁵⁾	24.3	
-12m (Max/Med/Mín EUR)	2.61 / 1.94 / 1.50	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	34.3	
Factset / Bloomberg	FACE-ES / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)⁽⁵⁾

Nice&Green	15.8
Hancom	7.3
Javier Mira Miró	3.5
Juan Alfonso Ortiz Company	3.2
Free Float	65.9

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-5.4	-12.8	-32.1	-10.2
vs Ibex 35	-6.0	-17.9	-48.2	-28.8
vs Ibex Small Cap Index	-7.6	-10.8	-39.0	-30.5
vs Eurostoxx 50	-6.7	-13.5	-44.7	-34.4
vs Sector benchmark ⁽⁴⁾	-4.9	-6.4	-46.1	-42.9

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

(2) Please refer to Appendix 2.

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

(4) vs Stoxx Europe 600 Technology.

(5) Others: Salvador Martí Varó 4.4%. The participation of Hancom includes the shares pending issuance as of the date of this report.

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

1H24: sales, +20%; the expected improvement in margins begins to “peek through”

REVENUE SURGED 20%... Reaching EUR 11.7 Mn (EUR 9.8 Mn in 1H23). Growth was driven by factors expected to persist in 2H24 and 2025e: (i) leveraging its position in LATAM (95% of 2023 revenue), (ii) EMEA as a new growth area gaining traction in the mix starting in 2024, and (iii) strong recurring revenue driven by high customer retention due to the significant cost of switching providers. 1H24 saw another strong performance in ARR (Average Recurring Revenue), reaching EUR 27.4 Mn annually (+47% CAGR 2024-2022).

...WHICH TRANSLATED TO GROSS MARGIN IMPROVEMENT. As seen in full-year 2023, robust revenue growth directly translated to gross margin, reaching EUR 9.6 Mn (+21.7%) and marginally improving profitability to 81.17% (+1.2 pp), suggesting levels that will likely remain stable in the medium to long term.

NEGATIVE EBITDA IN 2024E, BREAK-EVEN EXPECTED IN 2025E. Strong revenue growth necessitated significant expansion of its operational structure in 2021-2023 (c.+120%), outpacing revenue growth (c.+90%). 2024e should mark the beginning of a major EBITDA growth driver for FACE: operating leverage from an already established structure supporting double-digit revenue growth. 1H results align with this, showing structure costs up 10% versus sales up 20%. While margins improved substantially (+11 pp), it's still insufficient to reach break-even (EUR -4.3 Mn). This is deferred to 2025e (vs our previous expectation of 2024e), leading to lower 2024e revenue estimates below EUR 30 Mn.

DILUTION RISK REDUCED. FACE's growth has been (inevitably) dilutive in recent years. Both through convertible issuances for Nice&Green and Hancom's capital injection in March 2024 (a strategic alliance to develop the APAC market). Hancom acquired an 8% stake in FACE through convertible issuances.

In these results, FACE conveys two significant messages: (i) the investment phase to expand the structure (which heavily impacted the P&L in the past two years) is considered complete; and (ii) it announces the cessation of convertible issuances for Nice&Green, which (due to dilution) have weighed on the share since 2021. The dilution risk has significantly reduced, a positive for the share.

THE EQUITY STORY IS MATERIALIZING: DOUBLE-DIGIT REVENUE GROWTH AND LEVERAGING AN ESTABLISHED STRUCTURE.

A scalable business model, exposure to megatrends, and the opportunity to gain traction in EMEA should enable double-digit revenue growth in the coming years. 2025e - 2026e are crucial for monetizing this growth based on an already established operating structure (as seen in 1Q24), exceeding EBITDA break-even in 2025e. Revenue growth should drive significant margin improvement and strong EBITDA growth from 2025e onwards. While 2024e, still with negative EBITDA, may seem disappointing, it demonstrates a robust medium to long-term growth path: a broad base of recurring revenue, double-digit growth, and operating leverage.

The stock remains significantly undervalued (-12m, -32.1%; -48.2% vs Ibex 35; -46.1% vs sector). The results could serve as a catalyst as they validate the strategic plan with real-world data, not just on paper. Demonstrating tangible and ongoing margin improvement.

Facephi (FACE) is a BME Growth company

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Appendix 1. 1H24 Results

EUR Mn	6m24		6m24 Real		2024e vs	
	Real	6m23	vs 6m23	2024e	2023	
Total Revenue	11.7	9.8	20.0%	37.0	46.9%	
Gross Margin	9.6	7.9	21.7%	32.0	46.7%	
Gross Margin/Revenues	81.7%	80.6%	1.2 p.p.	86.5%	-0.1 p.p.	
Recurrent EBITDA ¹	-4.3	-4.7	8.9%	2.7	168.8%	
Rec. EBITDA / Revenue	n.a.	n.a.	n.a.	7.3%	22.9 p.p.	
EBITDA	-5.6	-5.0	-12.3%	2.7	152.0%	
EBITDA / Revenue	n.a.	n.a.	n.a.	7.3%	27.9 p.p.	
EBIT	-5.8	-4.1	-41.1%	1.7	n.a.	
BAI	-6.1	-4.5	-34.7%	1.2	119.2%	
BN	-6.3	-4.7	-33.9%	0.9	128.0%	

	2023	
ND ²	16.4	10.3
		59.7%

Note 1: Recurring EBITDA adjusted to exclude the impact of capitalized expenses, impairments, subsidies and extraordinary expenses.

Note 2: Includes EUR 5Mn and EUR 0.6Mn of convertible loans from Hancom and Nice&Green respectively.

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	33.9	
+ Minority Interests	-	6m Results 2024
+ Provisions & Other L/T Liabilities	0.0	6m Results 2024
+ Net financial debt	16.4	6m Results 2024
- Financial Investments	0.1	6m Results 2024
+/- Others ⁽¹⁾	(4.5)	Ver nota
Enterprise Value (EV)	45.7	

(1) Related to the book value (not actuarial) of deferred tax assets (EUR 4.5Mn)

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
23-Oct-2024	n.a.	1.50	n.a.	n.a.	6m Results 2024	Alfredo Echevarría Otegui
27-May-2024	n.a.	1.93	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
06-May-2024	n.a.	1.80	n.a.	n.a.	12m Results 2023	Enrique Andrés Abad, CFA
12-Feb-2024	n.a.	1.98	n.a.	n.a.	12m 2023 Preliminary results	Enrique Andrés Abad, CFA
03-Oct-2023	n.a.	2.41	n.a.	n.a.	6m Results 2023	Enrique Andrés Abad, CFA
12-Jun-2023	n.a.	2.52	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
04-May-2023	n.a.	2.95	n.a.	n.a.	12m Results 2022	David López Sánchez
09-Feb-2023	n.a.	3.48	n.a.	n.a.	12m 2022 Preliminary results	David López Sánchez
05-Aug-2022	n.a.	2.62	n.a.	n.a.	6m 2022 Preliminary results	David López Sánchez
17-May-2022	n.a.	2.66	n.a.	n.a.	Estimates upgrade	David López Sánchez
08-Feb-2022	n.a.	4.03	n.a.	n.a.	12m 2021 Preliminary results	David López Sánchez
27-Jul-2021	n.a.	4.65	n.a.	n.a.	6m 2021 Preliminary results	David López Sánchez
10-May-2021	n.a.	3.84	n.a.	n.a.	12m Results 2020 - Estimates downgrade	David López Sánchez
01-Feb-2021	n.a.	4.40	n.a.	n.a.	12m 2020 Preliminary results	David López Sánchez
27-Jul-2020	n.a.	6.42	n.a.	n.a.	Estimates downgrade	David López Sánchez
07-May-2020	n.a.	5.54	n.a.	n.a.	Review of estimates	David López Sánchez
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m 2019 Preliminary results	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initiation of Coverage	David López Sánchez

