

# Facephi

Initiation of coverage

31 October 2024



# Facephi

## Smiling at the Future

Sponsored Research

Price Target: €2.1

Close Price: €1.55

Potential: +35.5%

**BUY**

**Facephi briefly:** Incepted in 2012 in Spain by Mr Javier Mira (CEO), then IPOed in Madrid in 2014 and dual-listed in Paris since 2019, Facephi is a global provider of biometric solutions mainly for financial services (96.9% of LFY Revenue) with a strong footprint in Latam (94% of LFY Revenue). Facephi has >300 clients, of which >120 banks with transactions taking place in 25 countries, employed c.233 FTEs as at HY24 and has generated €25.2m of FY23 Revenue (+12.9% YoY), experiencing a substantial growth of +41.2% 5y CAGR (5.6x). The Co's ARR has improved over the last few years with 1H24 backlog ARR landing at €27.4m (vs €21.8m for FY23 and €12.7m for FY22). Facephi posted a LFY EBITDA of €0.6m at breakeven (margin of 2.5%). The Co's main product offering revolve around 1/ Onboarding (63.3% of LFY and 1H24 Revenue) and 2/ Authentication (31.3% for LFY) whilst developing the recent Identity Platform (upselling and cross-selling). Facephi is 99% proprietary of its tech, has been investing in R&D for 12y (c.€9m capitalised) and is now leveraging this decade of R&D to focus on commercial execution (major partnership agreement signed in 2024 with Hancom, South Korean conglomerate, to expand in APAC). Facephi's main shareholder is Nice & Green (N&G, c.18.4%), followed by Hancom (c.7%). Key people have c.10.2% and we estimate the free float at c.64.4%.

**Company positives:** We believe company positives are inter alia 1/ the high degree of specialisation achieved, addressing the demanding financial services market with specific customers' demands (low churn/high retention rate of c.90% over the past 3y, closer to 1% when taking TCv into account), Facephi being a partner of choice through its established brand in the financial sector, 2/ a scaleup Co with strong growth rates (+41.2% 5y CAGR 2018-23, +18.8% 5y CAGR 2023-28e), 3/ an asset-light and reduced-costs business model allowing the Facephi to remain competitive and nimble vs major competitors, 4/ a smart partnership strategy (partner channel) allowing it to partner with major players to expand overseas and leverage their capabilities, networks and knowledge (Hancom partnership), 5/ co-founder and historical management with an expertise of the industry, still onboard with c.10% of the shares (investors/management interests aligned), 6/ a cashburn company so far backed by N&G, 7/ relatively high barriers to entry (reputation, costs structure and R&D), 8/ major contracts signed and historical relationship with main Latam banks (CaixaBank, Banco Nacional de Costa Rica, Banco General in Panama, and HSBC, high retention rates).

**Industry's fundamentals:** The biometric market is performing at GDP+, expected to reach \$86bn by 2028e from \$48bn in 2023 (+12.4% CAGR 2023-28e). This market is part of the broader cybersecurity market (\$186bn in 2023, +6.07% CAGR 2019-29e, est. 2023 TAM of \$2.5tn) as per Statista and McKinsey, which has strong market drivers (digitalisation, cyber threats, law and regulation) as cybersecurity is considered critical for companies and governments. Unsurprisingly, most of the growth comes from the Americas (€69.54bn in 2029e, +11.3% CAGR 2023-29e), followed by Asia (€39.21bn in 2029e, +12.5% CAGR 2023-29e) on which Facephi is now focusing whilst maintaining its historical presence in Latam.

**Catalysts:** We identify some catalysts inter alia 1/ an increased and more frequent newsflow as the Co expands, underpinned by the appointment of a new CFO as well as a new IR, 2/ expansion and development in APAC and EMEA, 3/ signing of new strategic partnerships, 4/ new product launch and innovation, 5/ M&A on the medium/long term, 5/ speculative bias as potential takeover possible.

**Valuation:** We think Facephi is undervalued vs. peer group as for FY25e. For indicative purpose, it is currently trading @1.3x EV/Sales (vs. peer group currently trading @1.6x EV/Sales after applying a liquidity multiple discount of 15%). We believe Facephi will be able to secure contracts and partnerships on new geographies and verticals. The share price could increase as the Co implements this relevant strategy. **We initiate the coverage of Facephi with a rating to Buy and a price target of €2.1/share** which is derived from a DCF (100%) valuation.

## Key Contacts

### Sales Specialists

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### Key data

Country	Spain
Subsector	Biometrics
Bloomberg	FACE-SM
Market Cap. (EURm)	35.0
Free Float (%)	64.4%
30d avg. Volume (k)	9.6

### Financials

	2022A	2023A	2024E	2025E
Sales (EURm)	22.3	25.2	28.2	33.6
Growth rate (%)	75.7%	12.9%	12.0%	19.2%
EBITDA (EURm)	4.4	0.6	0.3	2.6
Margin (%)	19.9%	2.5%	1.1%	7.6%
EBIT (EURm)	1.7	(5.4)	(5.3)	(4.0)
Margin (%)	7.8%	(21.4%)	(18.9%)	(11.9%)
Net Profits (EURm)	1.1	(4.3)	(4.9)	(3.9)
Basic EPS (EUR)	0.1	(0.2)	(0.2)	(0.2)
Net Debt (EURm)	5.7	9.0	11.0	12.4
FCF (EURm)	(7.8)	(9.0)	(0.0)	(1.3)
RoCE (%)	7.8%	(8.2%)	(14.6%)	(13.3%)
ND/EBITDA (x)	9.3x	(2.5x)	(2.5x)	(4.7x)

### Valuation metrics

	2022A	2023A	2024E	2025E
P/E (x)	13.7x	(8.1x)	(7.1x)	(9.0x)
FCF Yield (%)	(51.5%)	(25.7%)	(0.1%)	(3.9%)
EV/Sales (x)	0.9x	1.7x	1.5x	1.3x
EV/EBITDA (x)	4.7x	70.5x	129.8x	16.7x
EV/EBIT (x)	11.9x	(8.1x)	(7.8x)	(10.7x)

Source: Company, Marex



Source: Marex, FactSet

**BUY****Facephi Biometria SA**

FACE-SM  
Price (EUR) 1.55  
Market Cap. (EURm) 35  
30d avg. Volume (k) 10

**Ratios & Valuation**

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
EV/Sales (x)	0.9x	1.7x	1.5x	1.3x	1.0x	0.8x	0.6x
EV/EBITDA (x)	4.7x	70.5x	125.1x	15.5x	6.1x	3.6x	2.1x
EV/EBIT (x)	11.9x	-8.1x	-7.8x	-11.2x	-29.5x	24.2x	6.3x
P/E (x)	13.7x	-8.1x	-7.1x	-9.4x	-17.8x	175.9x	11.5x
FCF Yield (%)	(51.5%)	(25.7%)	(0.1%)	(3.3%)	7.2%	2.7%	13.7%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Leverage Ratio (x)	9.3x	(2.5x)	(2.5x)	(4.9x)	10.3x	1.8x	0.4x
Debt to Equity (%)	36.2%	44.0%	82.6%	128.0%	128.1%	112.6%	35.4%
Interest Cover (x)	(0.2x)	0.3x	0.2x	0.2x	0.6x	(0.5x)	(0.2x)
WC/Sales (%)	21.6%	9.9%	(3.8%)	(6.5%)	(8.5%)	(9.5%)	(11.7%)
RoE (%)	7.3%	(21.5%)	(37.5%)	(39.8%)	(26.6%)	2.6%	28.5%
RoCE (%)	7.8%	(8.2%)	(14.6%)	(12.5%)	(3.8%)	8.3%	20.6%
RoA (%)	3.4%	(9.4%)	(12.7%)	(10.5%)	(5.4%)	0.5%	6.7%
BV per share (EUR)	0.87	0.94	0.57	0.41	0.32	0.33	0.47
FCF per share (EUR)	(0.45)	(0.42)	(0.00)	(0.05)	0.11	0.04	0.21

**Growth & Margins**

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Sales growth	75.7%	12.9%	12.0%	19.2%	23.7%	21.0%	18.3%
EBITDA growth	(145.0%)	(683.5%)	25.6%	(44.6%)	(138.2%)	426.3%	99.1%
EBIT growth	(9.8%)	360.3%	5.2%	(10.7%)	(23.0%)	(37.7%)	(81.2%)
EPS growth	4.6%	156.1%	6.0%	(7.8%)	(15.7%)	(23.9%)	(43.1%)
DPS growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA margin	19.9%	2.5%	1.2%	8.2%	15.7%	21.7%	27.2%
EBIT margin	7.8%	(21.4%)	(18.8%)	(11.3%)	(3.3%)	3.2%	9.2%
Net margin	5.0%	(17.1%)	(17.5%)	(11.1%)	(4.7%)	0.4%	5.1%

**Income Statement (EURm)**

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Sales	22.3	25.2	28.2	33.6	41.5	50.2	59.4
COGS	(3.2)	(3.4)	(4.2)	(4.9)	(5.9)	(7.0)	(8.0)
Gross Profits	19.1	21.8	23.9	28.7	35.6	43.2	51.4
Opex	(14.7)	(21.2)	(23.6)	(26.0)	(29.1)	(32.3)	(35.2)
EBITDA	4.4	0.6	0.3	2.7	6.5	10.9	16.2
D&A	(2.7)	(6.0)	(5.6)	(6.5)	(7.9)	(9.3)	(10.7)
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.7	(5.4)	(5.3)	(3.8)	(1.4)	1.6	5.5
Net interest inc./exp.)	(0.7)	(1.7)	(1.3)	(1.2)	(1.3)	(1.4)	(1.4)
Profits/(losses) from asso.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	1.0	(7.1)	(6.6)	(5.0)	(2.6)	0.3	4.0
Income tax	0.1	2.7	1.6	1.2	0.7	(0.1)	(1.0)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profits	1.1	(4.3)	(4.9)	(3.7)	(2.0)	0.2	3.0
Basic EPS (EUR)	0.1	(0.2)	(0.2)	(0.2)	(0.1)	0.0	0.1
DPS (EUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0%	0%	0%	0%	0%	0%	0%
Basic NoSHm	17.4	21.3	22.9	22.9	22.9	22.9	22.9

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**Balance Sheet (EURm)**

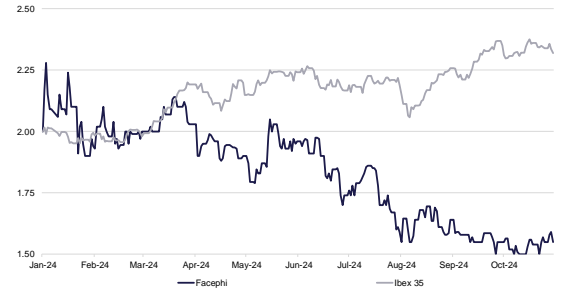
	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible Assets	7.6	11.8	12.7	13.3	14.0	14.9	15.8
PPE & ROUA	1.8	2.7	3.0	3.5	3.9	4.3	4.7
Investments	0.2	0.1	0.1	0.1	0.1	0.1	0.1
NC receivables & DTA	6.8	12.0	9.6	7.1	2.8	2.1	1.1
<b>Non-current assets</b>	<b>16.4</b>	<b>26.6</b>	<b>25.5</b>	<b>24.0</b>	<b>20.9</b>	<b>21.4</b>	<b>21.8</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	11.2	13.6	9.6	10.1	11.4	12.4	13.0
Other AR and prepaid exp.	2.3	2.6	2.7	2.8	2.8	3.1	3.3
ST Investments	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cash and cash equivalents	2.2	2.7	0.7	(1.4)	1.1	2.1	6.9
<b>Current assets</b>	<b>15.9</b>	<b>19.1</b>	<b>13.2</b>	<b>11.7</b>	<b>15.5</b>	<b>17.7</b>	<b>23.3</b>
<b>Total assets</b>	<b>32.3</b>	<b>45.7</b>	<b>38.7</b>	<b>35.7</b>	<b>36.4</b>	<b>39.1</b>	<b>45.1</b>
LT financial liabilities	3.8	3.0	2.1	2.1	2.1	2.1	2.1
Provisions	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	0.4	0.2	0.2	0.2	0.2	0.2	0.2
<b>Non-current liabilities</b>	<b>4.3</b>	<b>3.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
ST financial liabilities	4.0	8.7	9.6	8.7	8.7	8.7	8.7
Trades payable	5.2	10.8	9.3	10.1	11.4	12.4	13.0
Tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contract liabilities	3.2	1.5	1.7	1.6	1.6	1.5	1.8
Other current liabilities	0.3	1.4	2.6	3.6	4.9	6.5	8.5
<b>Current liabilities</b>	<b>12.8</b>	<b>22.4</b>	<b>23.2</b>	<b>23.9</b>	<b>26.6</b>	<b>29.1</b>	<b>32.1</b>
<b>Total liabilities</b>	<b>17.0</b>	<b>25.7</b>	<b>25.6</b>	<b>26.3</b>	<b>29.0</b>	<b>31.5</b>	<b>34.4</b>
<b>SH Equity</b>	<b>15.2</b>	<b>20.0</b>	<b>13.1</b>	<b>9.4</b>	<b>7.4</b>	<b>7.6</b>	<b>10.7</b>

**Cash Flow Statement (EURm)**

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Net profits	1.1	(4.3)	(4.9)	(3.7)	(2.0)	0.2	3.0
Net finance costs / (income)	(0.0)	0.6	0.0	0.0	0.0	0.0	0.0
Tax	(0.1)	(2.7)	1.1	0.4	0.6	0.7	0.9
D&A and non-cash	2.7	6.5	5.6	6.5	7.9	9.3	10.7
Δ WC	(6.8)	0.6	4.1	2.1	3.7	(0.3)	0.3
Other elements	(2.7)	0.2	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>(5.8)</b>	<b>0.9</b>	<b>5.9</b>	<b>5.3</b>	<b>10.2</b>	<b>9.9</b>	<b>15.0</b>
CapEx	(2.0)	(9.9)	(5.9)	(6.5)	(7.7)	(8.9)	(10.2)
(M&A) / Divestures	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(2.2)</b>	<b>(9.8)</b>	<b>(5.9)</b>	<b>(6.5)</b>	<b>(7.7)</b>	<b>(8.9)</b>	<b>(10.2)</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Debt	3.9	1.6	0.0	(0.9)	0.0	0.0	0.0
Δ Equity	4.7	8.0	(2.1)	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.1	0.0	0.0	0.0	0.0
<b>Cash flow from financing</b>	<b>8.6</b>	<b>9.5</b>	<b>(2.0)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Effects of FX & Δ in scope	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0
<b>Δ cash</b>	<b>0.5</b>	<b>0.6</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>2.5</b>	<b>0.9</b>	<b>4.8</b>

**FCFF**

(7.8) (9.0) (0.0) (1.2) 2.5 0.9 4.8

**Share Price Performance (EUR)**

YTD 3M 6M  
Absolute (%) (22.5%) (3.7%) (18.4%)  
Relative to Index (%) (38.5%) (9.6%) (26.3%)

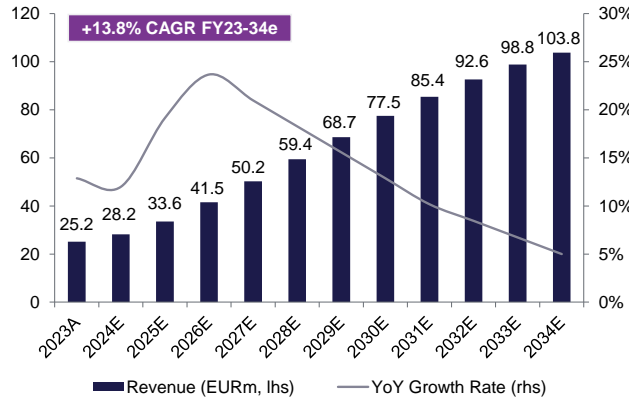
Source: Marex, FactSet

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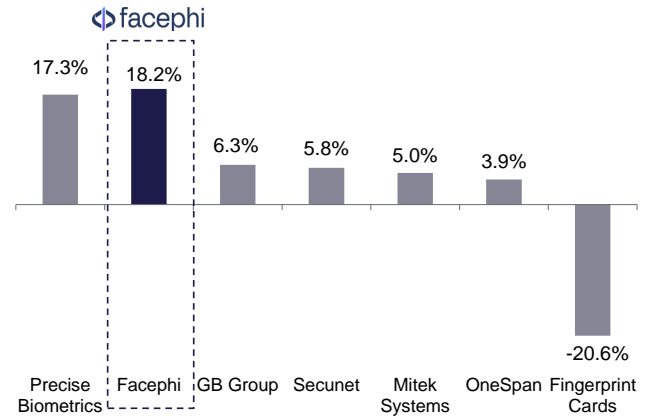
# Facephi's Key Takeaways

Exhibit 1: Facephi's Revenue Evolution, FY23-34e (EURm, %)



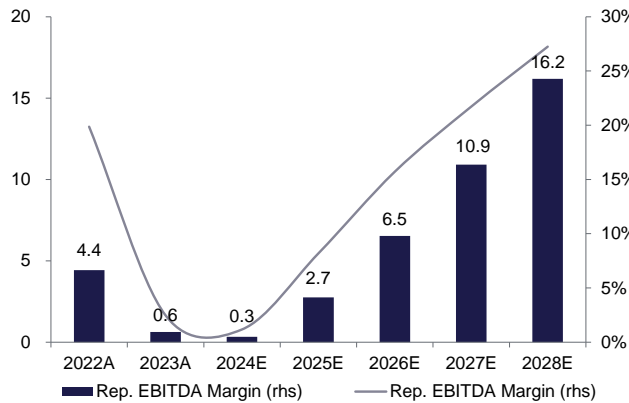
Source: Company, Marex

Exhibit 2: Facephi and Peers 2023-26e Revenue CAGR



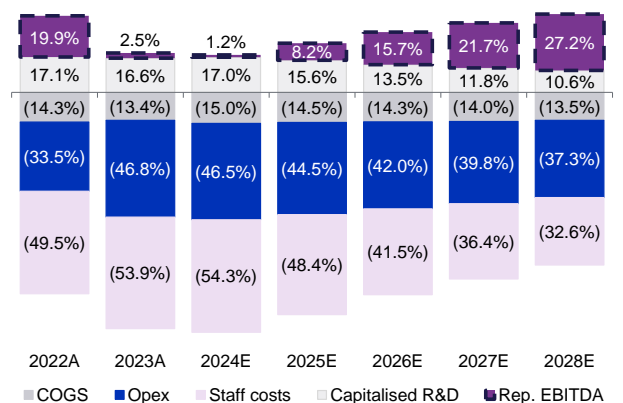
Source: Company, FactSet, Marex

Exhibit 3: Facephi's Rep. EBITDA, FY22-28e (EURm, %)



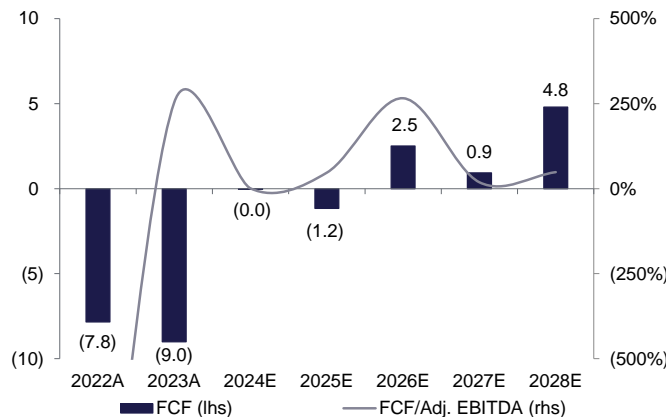
Source: Company's Reports and Presentations, Marex

Exhibit 4: Facephi's Rep. EBITDA Margin Deconstruction



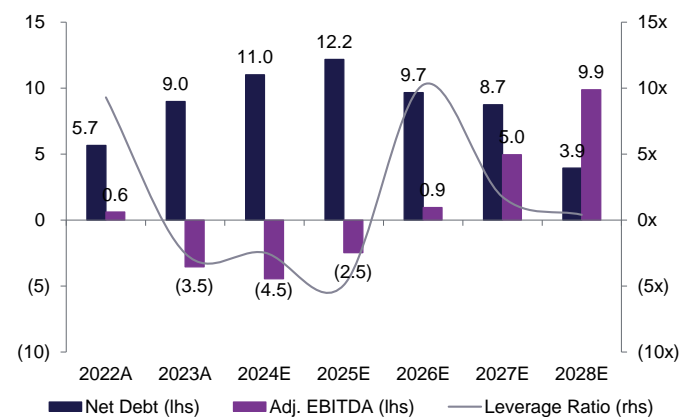
Source: Company's Reports and Presentations, Marex

Exhibit 5: FCF Generation and Conversion FY22-28e (EURm, %)



Source: Company's Reports and Presentations, Marex

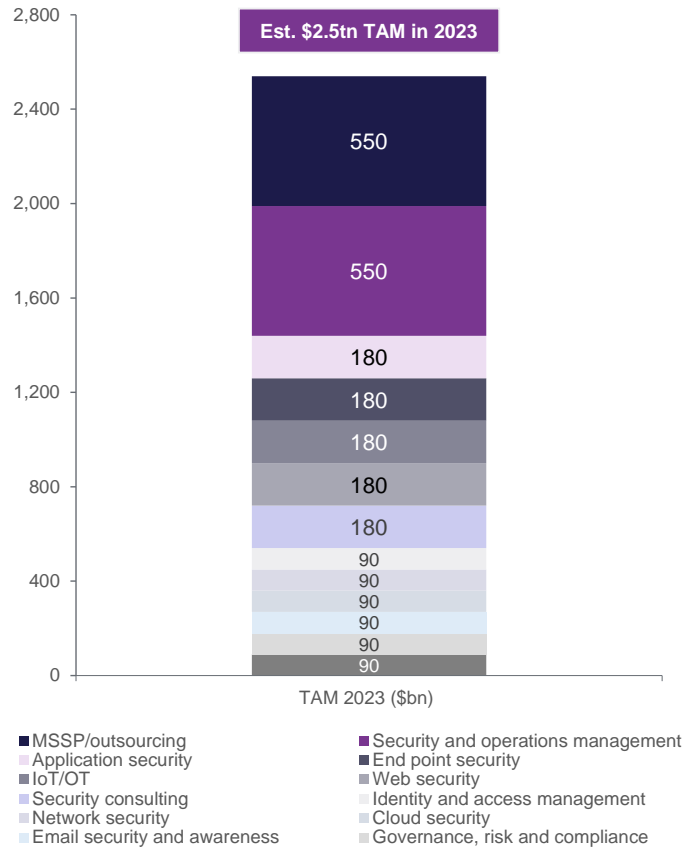
Exhibit 6: Facephi's Leverage FY22-28e (EURm, x)



Source: Company's Reports and Presentations, Marex

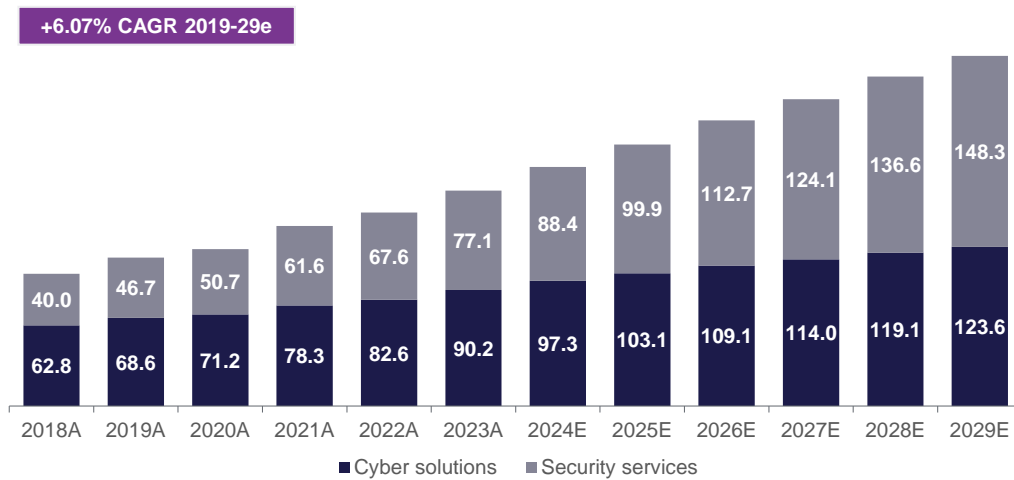
## Key Industry Trends

Exhibit 7: Global 2023 Cybersecurity TAM



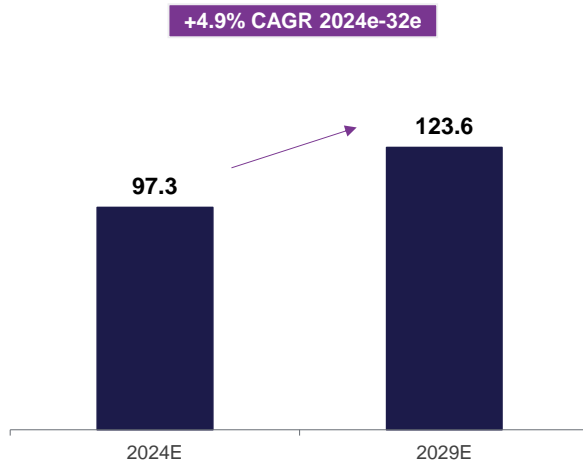
Source: Marex, McKinsey Cyber Market Map 2022

Exhibit 8: Global Cybersecurity Market and Market Segments, 2018-28e (\$bn)



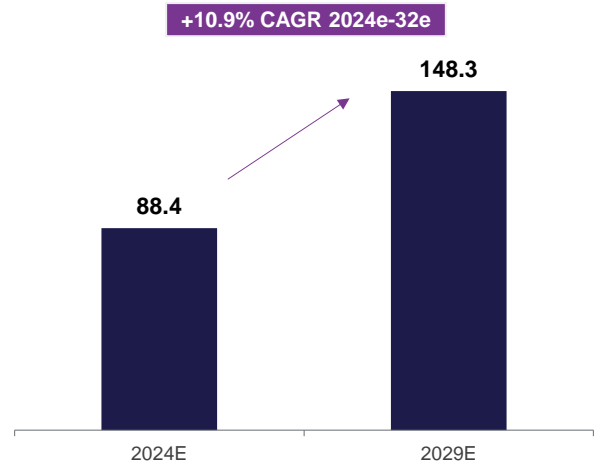
Source: Marex, Statista 2024

Exhibit 9: Cyber Solutions Market Size, 2024-29e (\$bn)



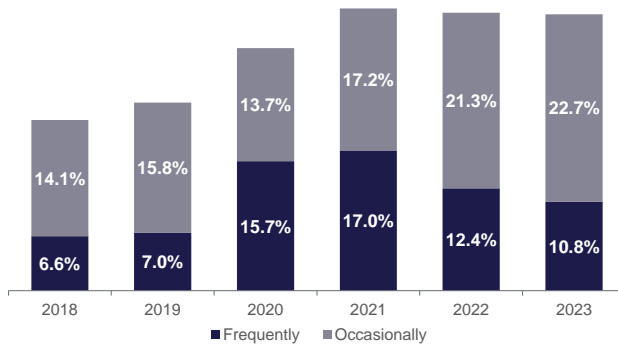
Source: Marex, Statista 2024

Exhibit 10: Security Services Market, 2024-29e (\$bn)



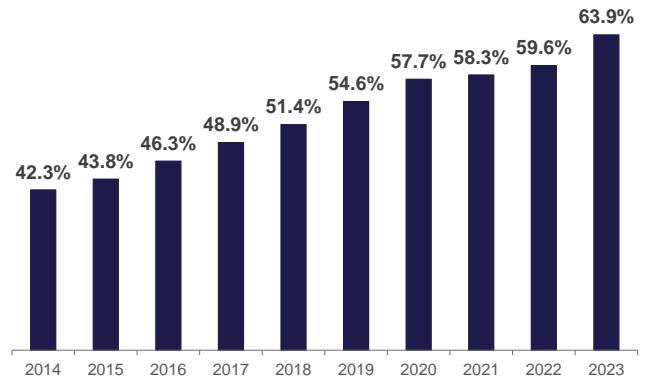
Source: Marex, Statista 2024

Exhibit 11: Remote Working Adoption, France 2018-23 (%)



Source: Marex, Eurostat 2024

Exhibit 12: Individuals Using Internet Banking Services, EU 2014-23 (%)



Source: Marex, Eurostat 2024

## SWOT

SWOT Analysis	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Specialised on financial services clients, most demanding clients</li> <li>▪ Low churn / high retention rate (90%)</li> <li>▪ Ability to sign strategic partnerships (Hancom)</li> <li>▪ Expertise and knowledge with 12y of R&amp;D</li> <li>▪ Asset-light business model, mainly intangibles</li> <li>▪ Stable investor base (N&amp;G, Hancom and key people)</li> <li>▪ Aligned interests with management and employees</li> <li>▪ Experienced management team</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>▪ Geographical (Latam) and client type (financial services) sales concentration for now</li> <li>▪ Product concentration (onboarding, authentication)</li> <li>▪ Limited pricing power (not specific to Facephi)</li> <li>▪ Working Capital position (but improving)</li> <li>▪ Reliance on key people / managers</li> <li>▪ Good float but low volumes</li> <li>▪ Still small compared to major competitors</li> <li>▪ Spanish GAAP</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Buoyant market, considered critical</li> <li>▪ ID verification solutions required in different fields</li> <li>▪ Increase in cybersecurity / identity verification spendings and budgets</li> <li>▪ M&amp;A through bolt-on acquisitions and diversification</li> <li>▪ Development of new geographies (APAC, EMEA)</li> <li>▪ New technology / products (behavioural recognition)</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Law &amp; regulation changes making Facephi' solutions non-profitable or non-compliant</li> <li>▪ Competition with existing major players (i.e. Thales), with substantial financial resources and major financing rounds achieved</li> <li>▪ New entrants, but barriers relatively high</li> </ul>

Source: Marex

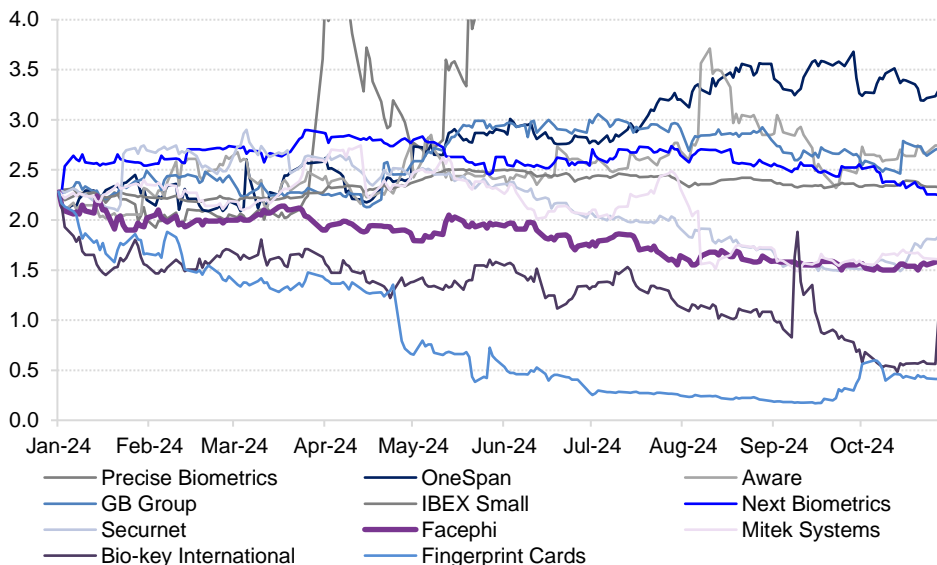


# Share Performance

## Share Price Performance vs. Peer Group and Reference Index

Since Jan-24, Facephi (-26.7%) underperformed the IBEX Small Index (+1.9%) and its peer group (+1.2% on average, -22.6% excl. Precise Biometrics which rose +213.2% over the period).

Exhibit 13: Facephi' Share Price Performance vs. Peers Since Jan-24 (rebased)

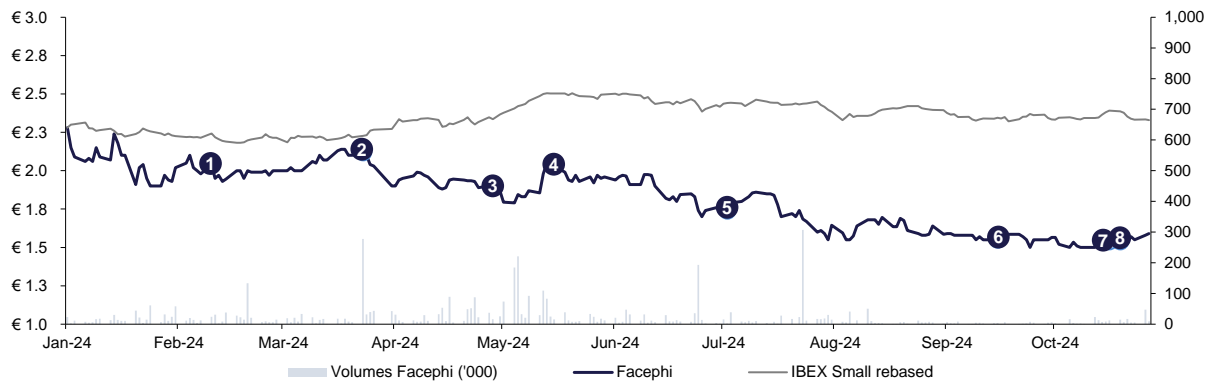


Source: Bloomberg, Marex, data as of the 29/10/2024

## Share Price Performance Explanation

The chart below lists the impact of price sensitive announcements made by Facephi since January 2024.

Exhibit 14: Share Price Explanations Since Jan-24



Source: Bloomberg, Marex, data as of the 30/10/2024

**1 – 12/02/2024:** FY23 Results Preview, FY23 Revenue overstated at €30.08m vs €25.8m actual.

**5 – 04/07/2024:** Nice&Green joins Facephi's board of directors with Manuel Lanfossi as representative.

**2 – 25/03/2024:** The South Korean group Hancom invests €5m to become the Facephi's second main shareholder after N&G.

**6 – 17/09/2024:** Facephi partners with FTS.Money to bring advanced IDV and KYC solutions to Asia and the Middle East.

**3 – 30/04/2024:** Facephi publishes its FY23 Results.

**7 – 18/10/2024:** Facephi partners with HAMI to advance cybersecurity and digital transformation in Saudi Arabia.





















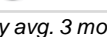

**4 – 17/05/2024:** Samsung Securities selects Facephi to verify its users' identity.

**8 – 21/10/2024:** Facephi publishes its 1H24 Results.

## Volume & Liquidity Analysis

Peer group's free float rotation is 202 trading days on an average basis. Facephi's shares have a free float rotation of 1,780 trading days, well above the peer group average. This is mainly explained by the size difference, lack of major announcements and reduced analyst coverage on Facephi's shares. Given Facephi's growth trajectory and free float, we expect the free float rotation trading days to significantly normalised and head towards peer's average. Facephi is also dual listed in France, however volumes on Euronext Paris are not material compared to Madrid's BME.

Exhibit 15: Facephi's Shares Liquidity Analysis

Company	Country	Market cap	Free float	Volumes*		Float rot.
		Local Ccy m	(%)	Local Ccy m	Local Ccy m	(trading days)
 facephi		36	64.4%	23	0.01	1,780
 GBG		978	91.9%	899	1.81	496
 secunet		719	24.4%	176	0.35	500
 OneSpan		521	93.2%	486	5.22	93
 Mitek		370	96.4%	357	5.22	68
 NEXT		68	66.3%	45	0.09	531
 AWARE		40	58.6%	24	0.11	207
 FINGERPRINTS		38	98.5%	38	2.47	15
 PRECiSE BIOMETRICS		24	84.2%	20	0.42	47
 IDEX		12	89.6%	11	0.17	65
 BIO-key™		4	94.4%	3	8.27	0

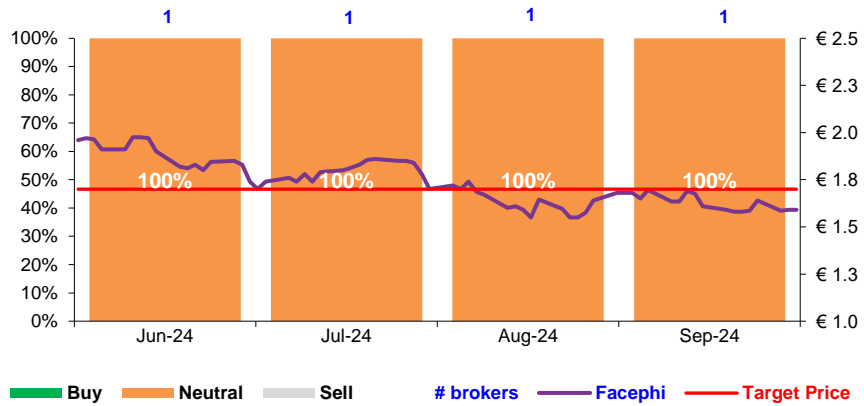
\* Daily avg. 3 months

Source: Bloomberg, Marex, data as of the 29/10/2024

### Consensus Evolution on Facephi

The consensus on Facephi has been stable at Hold over the last few months, with a coverage initiated by Intermoney Valores in June 2024 (Hold; PT €1.7). Hence the average price target is now at €1.9, taking Marex' rating into account (Buy; PT €2.1).

Exhibit 16: Evolution of the Consensus on Facephi since June 2024 (only rating)

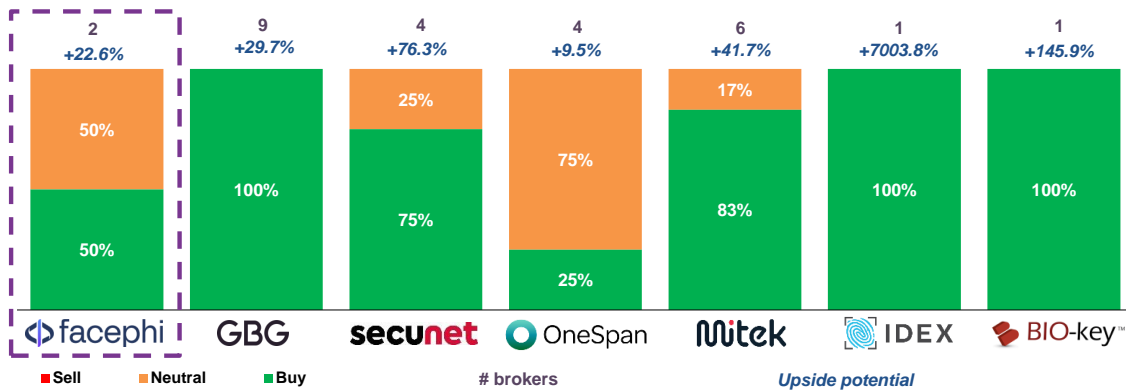


Source: Bloomberg, Marex, data as of the 30/10/2024

### Analysts' Perception About the Industry

Analysts remain relatively positive on the sector with a majority issuing a Buy rating (77% on average), followed by recommendations to Hold (22%), and no Sell recommendations (0%). The market considers that Facephi currently has an upside of +22.6%.

Exhibit 17: Analysts' Consensus on the Sector



Source: Bloomberg, data as of the 30/10/2024

## Valuation

We initiate the coverage of Facephi with a rating to Buy and a target price of €2.1/share, calculated using a DCF (100%) valuation method. We used the trading multiples valuation method for indicative purpose.

Exhibit 18: Construction of Our Price Target

Method	FV/share	Coef.
DCF	2.1	100.0%
2025E EV/Sales	2.0	0.0%

Source: FactSet, Bloomberg, Marex

Exhibit 19: Implied Multiples @TP

Implied multiples @target	2024E	2025E	2026E
EV/Sales	1.7x	1.4x	1.1x
EV/EBITDA	(22.8x)	59.7x	10.8x
EV/EBIT	(6.2x)	(8.1x)	(12.4x)
P/E	(9.9x)	(13.0x)	(24.7x)
FCF Yield	(11.5%)	(7.5%)	(3.4%)

Source: FactSet, Bloomberg, Marex

### Indicative Valuation Using Trading Multiples

For this approach, we value Facephi using the 2025 EV/Sales multiple (coherent with the Co' scaleup status), leading to a FV/share of €2.0, roughly in line with our DCF valuation.

Exhibit 20: Trading Multiples Valuation Outcome

	EV/Sales
2025E figure (EURm)	33.6
2025E multiples	1.9x
Discounted multiples	1.6x
<b>2025E EV</b>	<b>54</b>
+/- Equity Bridge	(7.6)
<b>2025E Equity Value</b>	<b>46</b>
Fully diluted NOSHm	22.9
<b>FV/share</b>	<b>2.0</b>
% upside/downside	30.1%

Source: FactSet, Bloomberg, Marex

We think Facephi is undervalued vs. peer group as for FY25e, it is currently trading at 1.3x EV/Sales (vs. peer group currently trading at 1.6x EV/Sales after applying a 15% discount).

**Exhibit 21: Industry's Trading Multiples**

**Trading Multiples Valuation**

Company Name	Ticker	Country	Market Value (€m)		EV/Sales			EV/EBITDA			EV/EBIT			P/E			P/BV			FCF Yield			EV/FCFF		
			Equity	EV	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
<b>Cybersecurity</b>																									
GB Group PLC	GBG-GB	United Kingdom	969	900	3.1x	2.9x	2.7x	12.8x	11.7x	10.8x	13.4x	12.3x	11.3x	18.7x	16.4x	14.6x	1.3x	1.3x	1.3x	5.6%	7.0%	7.5%	19.4x	15.9x	14.5x
secunet Security Netw	YSN-DE	Germany	724	922	1.8x	1.7x	1.5x	11.4x	10.0x	9.1x	16.7x	13.8x	12.1x	24.9x	20.7x	18.1x	4.8x	4.2x	3.7x	6.0%	5.6%	5.6%	17.7x	15.8x	15.8x
OneSpan Inc.	OSPN-US	United States	523	359	2.2x	2.1x	2.0x	9.8x	8.7x	7.8x	11.9x	11.2x	10.6x	12.7x	12.2x	11.7x	n/a	n/a	n/a	5.8%	8.3%	n/a	15.6x	13.9x	n/a
Mitek Systems, Inc.	MITK-US	United States	372	478	2.5x	2.4x	2.2x	12.7x	11.3x	7.9x	n/a	35.2x	15.3x	10.9x	10.4x	8.6x	n/a	n/a	n/a	4.7%	8.9%	n/a	15.5x	10.7x	n/a
NEXT Biometrics Group	NEXT-NO	Norway	68	54	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Aware, Inc.	AWRE-US	United States	41	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fingerprint Cards AB C	FING-B-SE	Sweden	38	91	0.1x	0.2x	0.1x	n/a	50.4x	2.1x	n/a	n/a	n/a	n/a	n/a	n/a	0.3x	0.6x	0.6x	(41.9%)	0.0%	0.0%	n/a	n/a	3.9x
Precise Biometrics AB	PREC-SE	Sweden	24	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IDEX Biometrics ASA	IDEX-NO	Norway	13	61	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BIO-key International, II	BKY-US	United States	3	1	0.4x	0.3x	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Median</b>				<b>2.0x</b>	<b>1.9x</b>	<b>2.0x</b>	<b>12.1x</b>	<b>11.3x</b>	<b>7.8x</b>	<b>13.4x</b>	<b>13.1x</b>	<b>11.7x</b>	<b>15.7x</b>	<b>14.3x</b>	<b>13.2x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>5.6%</b>	<b>7.0%</b>	<b>5.6%</b>	<b>16.6x</b>	<b>14.9x</b>	<b>14.5x</b>	
<b>Avg.</b>				<b>1.7x</b>	<b>1.6x</b>	<b>1.7x</b>	<b>11.7x</b>	<b>18.4x</b>	<b>7.5x</b>	<b>14.0x</b>	<b>18.1x</b>	<b>12.3x</b>	<b>16.8x</b>	<b>14.9x</b>	<b>13.3x</b>	<b>2.1x</b>	<b>2.0x</b>	<b>1.9x</b>	<b>(4.0%)</b>	<b>6.0%</b>	<b>4.4%</b>	<b>17.0x</b>	<b>14.1x</b>	<b>11.4x</b>	
<b>FACE-S</b>			<b>36</b>	<b>44</b>	<b>1.5x</b>	<b>1.2x</b>	<b>0.9x</b>	<b>-9.2x</b>	<b>-15.6x</b>	<b>50.4x</b>	<b>-7.8x</b>	<b>-10.4x</b>	<b>-24.0x</b>	<b>-7.3x</b>	<b>-9.3x</b>	<b>-17.0x</b>	<b>2.7x</b>	<b>3.9x</b>	<b>5.0x</b>	<b>3.0%</b>	<b>(0.2%)</b>	<b>10.7%</b>	<b>38.2x</b>	<b>(569.5x)</b>	<b>9.7x</b>
<i>vs. Peers' Median</i>					(26%)	(35%)	(65%)	(177%)	(236%)	646%	(158%)	(17%)	(305%)	(146%)	(165%)	(229%)	113%	246%	303%	2.6ppt	-7.2ppt	5.1ppt	139%	(327%)	(33%)

**Peers' Main Financials**

Company Name	Ticker	Country	Market Value (€m)		EBITDA margin			EBIT margin			CAGR '23-'26			RoE			Dividend Yield			Net Debt / EBITDA			CapEx as % of sales		
			Equity	EV	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Sales	EBIT	NI	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
<b>Cybersecurity</b>																									
GB Group PLC	GBG-GB	United Kingdom	969	900	24.1%	24.6%	24.8%	22.9%	23.4%	23.6%	6.3%	8.7%	12.9%	6.9%	7.8%	8.6%	1.4%	1.5%	1.5%	0.7x	0.1x	(0.4x)	0.7%	0.7%	0.7%
secunet Security Netw	YSN-DE	Germany	724	922	15.6%	16.7%	16.9%	10.7%	12.1%	12.7%	5.9%	11.2%	11.1%	19.4%	20.5%	20.7%	2.2%	2.7%	3.0%	(0.6x)	(1.0x)	(1.2x)	2.3%	2.2%	2.0%
OneSpan Inc.	OSPN-US	United States	523	359	22.4%	24.2%	25.8%	18.5%	18.8%	19.0%	3.9%	93.8%	(215.5%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.2%	4.3%	n/a
Mitek Systems, Inc.	MITK-US	United States	372	478	20.0%	21.4%	27.9%	n/a	6.9%	14.2%	5.0%	16.0%	2.1%	n/a	n/a	n/a	n/a	n/a	n/a	0.7x	0.8x	n/a	0.9%	0.9%	n/a
NEXT Biometrics Group	NEXT-NO	Norway	68	54	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Aware, Inc.	AWRE-US	United States	41	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fingerprint Cards AB C	FING-B-SE	Sweden	38	91	n/a	0.3%	6.8%	n/a	n/a	n/a	(20.6%)	(80.8%)	(71.5%)	(25.0%)	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	(158.0x)	(7.0x)	0.0%	0.0%
Precise Biometrics AB	PREC-SE	Sweden	24	3	n/a	n/a	n/a	n/a	n/a	n/a	17.3%	(161.0%)	(160.8%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IDEX Biometrics ASA	IDEX-NO	Norway	13	61	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BIO-key International, II	BKY-US	United States	3	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Median</b>				<b>21.2%</b>	<b>21.4%</b>	<b>24.8%</b>	<b>18.5%</b>	<b>15.4%</b>	<b>16.6%</b>	<b>5.4%</b>	<b>9.9%</b>	<b>0.0%</b>	<b>6.9%</b>	<b>7.8%</b>	<b>8.6%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>0.7x</b>	<b>(0.4x)</b>	<b>(1.2x)</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.7%</b>	
<b>Avg.</b>				<b>20.5%</b>	<b>17.4%</b>	<b>20.4%</b>	<b>17.4%</b>	<b>15.3%</b>	<b>17.4%</b>	<b>2.9%</b>	<b>(18.7%)</b>	<b>(60.2%)</b>	<b>0.4%</b>	<b>9.4%</b>	<b>9.8%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.3%</b>	<b>0.3x</b>	<b>(39.5x)</b>	<b>(1.2x)</b>	<b>1.6%</b>	<b>1.6%</b>	<b>0.9%</b>	
<b>FACE-S</b>			<b>36</b>	<b>44</b>	<b>(15.9%)</b>	<b>(7.9%)</b>	<b>1.8%</b>	<b>(18.9%)</b>	<b>(11.9%)</b>	<b>(3.8%)</b>	<b>18.2%</b>	<b>-9.4%</b>	<b>-3.3%</b>	<b>-37.6%</b>	<b>-42.0%</b>	<b>-28.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(2.2x)</b>	<b>(3.8x)</b>	<b>8.2x</b>	<b>19.3%</b>	<b>18.5%</b>	<b>17.8%</b>
<i>vs. Peers' Median</i>					-37.1ppt	-59.3ppt	-23.0ppt	-37.3ppt	-27.3ppt	-20.4ppt	12.9ppt	-19.3ppt	-3.3ppt	-44.5ppt	-69.7ppt	-58.3ppt	-1.8ppt	-2.1ppt	-2.3ppt	n.m.	n.m.	n.m.	16.4ppt	17.0ppt	17.1ppt

Source: FactSet, data as of the 29/10/2024

## DCF Valuation

For the DCF approach, we used the following assumptions:

- An explicit period up to 2034e
- A normalised Adj. EBITDA margin of 28.1% in line with performing peers
- A normative Spain tax rate of 25%
- Normalised D&A at 15% of Sales and low Capex at 15.8% of Sales, in line with recent evolution and management's guidance
- A normative WC equal to -17% of Sales
- A WACC at 11.7% assuming an equity risk premium of 8.38%, a 10-y risk-free rate of 3.00% and a 2025e capital structure of 26% net debt and 74% equity
- TGR at 3.0%

Exhibit 22: DCF Valuation Outcome

FY ending on 31 Dec. (EURm)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	TV
Sales	33.6	41.5	50.2	59.4	68.7	77.5	85.4	92.6	98.8	103.8	106.9
Growth Rate (%)	19.2%	23.7%	21.0%	18.3%	15.6%	12.9%	10.2%	8.5%	6.7%	5.0%	3.0%
Adj. EBITDA	(2.7)	0.7	4.8	9.7	15.1	20.0	23.0	25.6	27.7	29.1	30.0
EBITDA margin	(7.9%)	1.8%	9.5%	16.3%	22.0%	25.8%	26.9%	27.7%	28.1%	28.1%	28.1%
D&A	(6.5)	(7.9)	(9.3)	(10.7)	(12.0)	(13.2)	(14.1)	(14.8)	(15.3)	(15.6)	(16.0)
D&A as a % sales	19.5%	19.0%	18.5%	18.0%	17.5%	17.0%	16.5%	16.0%	15.5%	15.0%	15.0%
Adj. EBIT	(9.2)	(7.1)	(4.5)	(1.0)	3.1	6.8	8.9	10.8	12.4	13.5	14.0
EBIT margin	(27.4%)	(17.2%)	(9.0%)	(1.7%)	4.5%	8.8%	10.4%	11.7%	12.6%	13.1%	13.1%
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Taxes on EBIT	2.3	1.8	1.1	0.3	(0.8)	(1.7)	(2.2)	(2.7)	(3.1)	(3.4)	(3.5)
NOPAT	(6.9)	(5.4)	(3.4)	(0.8)	2.3	5.1	6.7	8.1	9.3	10.2	10.5
CAPEX	(6.5)	(7.7)	(8.9)	(10.2)	(11.4)	(12.4)	(13.6)	(14.6)	(15.6)	(16.4)	(16.9)
% sales	(19.3%)	(18.5%)	(17.8%)	(17.2%)	(16.6%)	(16.0%)	(15.9%)	(15.8%)	(15.8%)	(15.8%)	(15.8%)
WC	(2.2)	(3.5)	(4.8)	(6.9)	(8.0)	(8.0)	(10.1)	(12.3)	(14.7)	(17.1)	(18.2)
% sales	(6.5%)	(8.5%)	(9.5%)	(11.7%)	(11.7%)	(10.4%)	(11.8%)	(13.3%)	(14.8%)	(16.5%)	(17.0%)
Δ WC	1.1	1.3	1.2	2.2	1.1	(0.0)	2.1	2.2	2.3	2.4	1.1
Adj. FCFF	(5.7)	(3.8)	(1.8)	1.9	4.0	5.9	9.3	10.5	11.4	11.8	10.7
Time coefficient	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	
DF	0.90	0.80	0.72	0.64	0.57	0.51	0.46	0.41	0.37	0.33	
Cash conversion on EBIT	n/a	n/a	n/a	n/a	131%	86%	104%	97%	92%	87%	
Discounted FCFF	(5.1)	(3.1)	(1.3)	1.2	2.3	3.0	4.3	4.3	4.2	3.9	41.8
Σ discounted FCFF		13.7									
+ Discounted Terminal Value		41.8									
% EV		75%									
= Enterprise Value		55.6									
+/- Equity Bridge		(7.7)									
= Equity Value		47.8									
Fully diluted NoSHm		22.9									
Price target		2.1									

Source: Marex, FactSet, Bloomberg

Exhibit 23: Sensitivity Tables (TGR vs WACC and TGR vs LT EBITDA Margin)

		TGR						
		2.5%	2.75%	3.0%	3.25%	3.5%		
WACC	10.2%	2.7	2.8	2.9	3.0	3.1		
	10.7%	2.4	2.5	2.6	2.7	2.8		
	11.2%	2.2	2.2	2.3	2.4	2.5		
	11.7%	2.0	2.0	2.1	2.2	2.2		
	12.2%	1.8	1.8	1.9	1.9	2.0		
	12.7%	1.6	1.6	1.7	1.7	1.8		
	13.2%	1.4	1.5	1.5	1.6	1.6		
		TGR						
		2.5%	2.75%	3.0%	3.25%	3.5%		
		LT EBITDA Margin	23.5%	1.4	1.4	1.5	1.5	1.6
			25.5%	1.6	1.7	1.7	1.8	1.9
			27.5%	1.9	1.9	2.0	2.1	2.1
			28.1%	2.0	2.0	2.1	2.2	2.2
			28.5%	2.0	2.1	2.1	2.2	2.3
30.5%	2.3		2.3	2.4	2.5	2.6		
32.5%	2.5		2.6	2.7	2.8	2.9		

Source: Marex, FactSet, Bloomberg

## A Leader in Biometric Solutions

### Facephi In Brief

Facephi is a technology company specialised in users' digital identity verification offering digital onboarding and biometric authentication solutions. The group aims at creating secure, smooth and fraud-free digital processes in a world increasingly focused on integrated digital identity management. Facephi historically addresses the finance services industry (c.97% of LFY Revenue and 95% for 1H24) in the Latam region (94% of FY23 Revenue) but it also expands in new sectors (insurance, health, public administration, travel and transportation, sporting events, and shared mobility among others). Additionally, Facephi is expanding into new geographical areas, particularly APAC and EMEA.

The Co was incepted in 2012 in Alicante, Spain, by Javier Miras (current CEO), Salvador Marti Varo (former Chairman and President) and other founding members. The group made its debut on BME Growth in Madrid on the 1 July 2014 for a market capitalisation with €1.8m raised for c.15% of the Co's shares. Facephi has a global presence with offices in South Korea (SK), Uruguay, Brazil and the United Kingdom (UK), international partnerships (Hancorn for the APAC region for instance) and employed c.233 FTEs at YE23.

The group achieved Revenue of €25.2m for LFY (+12.9% YoY), experiencing a substantial growth of +41.2% 5y CAGR (5.6x) and posted FY23 EBITDA of €0.6m (-85.9% YoY; EBITDA margin of 2.5%) and LFY Net Profits of -€4.3m (€1.1m YoY; Profit margin of -17.1%). Facephi's backlog Annual Recurring Revenue (ARR) landed at €27.4m at 1H24, +25.7% vs LFY and +115.7% vs FY22, improving the Co's risk profile with more stable revenue.

The Co's main products are 1/ Onboarding (63% of LFY Revenue) and 2/ Authentication services (31% of LFY Revenue). The group also offers Consulting services (4% of FY23 Revenue) and Identity Platform (c.1% of FY23 Revenue but set to increase YoY). The group's biometric technology is present in >25 countries and est. >350m user authentications have been performed. Facephi is also currently transitioning from a licensing-based business model to Software as a Service (SaaS) which now represent c.69% of 1H24 Revenue.

Facephi addresses the biometric market, performing at GDP+ and expected to reach \$86bn by 2028e from \$48bn in 2023 (+12.4% CAGR 2023-28e). This market is part of the broader cybersecurity market (\$186bn in 2023, +6.07% CAGR 2019-29e, est. 2023 TAM of \$2.5tn) as per Statista and McKinsey, and has strong structural drivers (digitalisation, new technologies adoption, rising cyber threats, law and regulation) that will sustain a steady growth for the years to come.

Facephi's main differentiation lies in the accuracy and user experience of its biometric technologies. The Co's facial recognition technology boasts high precision, allowing for identity verification with minimal user friction, a key advantage in sectors like banking where user experience is critical. Additionally, Facephi complies with international security regulations, including EU's GDPR, which makes it a trusted provider for institutions that require robust data privacy measures.

Overall, Facephi is positioned as a leader in the fast-growing biometric verification market, driven by the digital transformation of banking and financial services sectors, especially in regions like Latam but now expanding in new geos.



## Facephi's Main Dates and Milestones

Facephi was incepted in 2012 and went public in Madrid, Spain (on the BME Growth market) 2 years later, on 1 July 2014, raising c.€1.8m (for 15% of the Co' shares). The group quickly positioned itself on financial services clients which started to use Facephi's technology for customer authentication and fraud prevention. Facephi acquired its first client in 2014 with Grupo Mutual (Costa Rica) and secured its first bank client with Banco Industrial (Guatemala) in 2016. Over the years that followed, the Co kept acquiring financial institutions clients in Latam, with its Authentication solution released in 2018, and its Onboarding solution released in 2019 (both Facephi's best sellers as of today).

The group growth has been organic, with its first and only acquisition so far achieved in 2020 with the €2m acquisition of Ecertic, a qualified certification service provider acquired to improve its service offering in digital onboarding and client support in certain geographies. One of Ecertic's 2 founding members is still onboard and works as CTO. The Co achieved a dual listing on Euronext Growth (Paris) that same year to broaden its shareholder base. Over the following years, Facephi kept growing with the development of new products (Identity Platform in 2021) and further internationalisation with the opening of the Uruguay and UK subsidiaries (2022).

Lately, Facephi secured further financing from strategic partners: 1/ an initial €20m from Nice and Green, Facephi's main shareholder (reduced to €11.1m in 2024) and 2/ Hancom, SK-based company, which invested €5m in March 2024, becoming Facephi's 2<sup>nd</sup> main shareholder.

Exhibit 24: Nice and Green, Facephi's Main Shareholder



Source: Company's Reports and Presentations, Marex

Exhibit 25: Hancom, Facephi's Main Strategic Partner



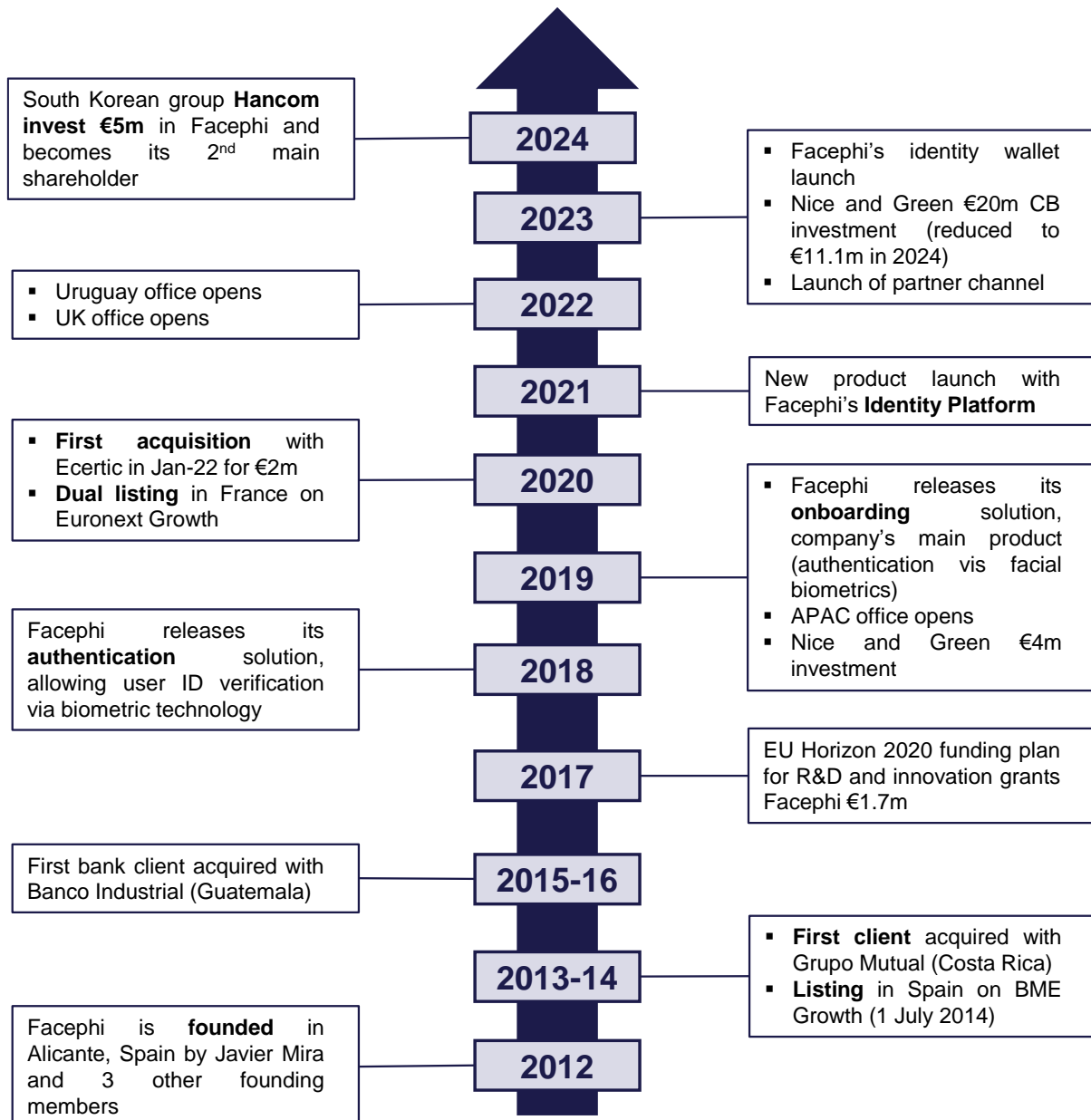
Source: Company's Reports and Presentations, Marex

Exhibit 26: Facephi's International Presence



Source: Company's report and presentation, Marex

Exhibit 27: Facephi's Timeline and History



Source: Company's report and presentation, Marex

## A Cybersecurity Company Focused on Specific Markets

### An innovative product offering

Facephi has been investing in R&D and developing biometric solutions for companies over the last 12y, to address this segment of the broader cybersecurity market. The company now has a product offering allowing clients to proceed with a comprehensive management of digital identity.

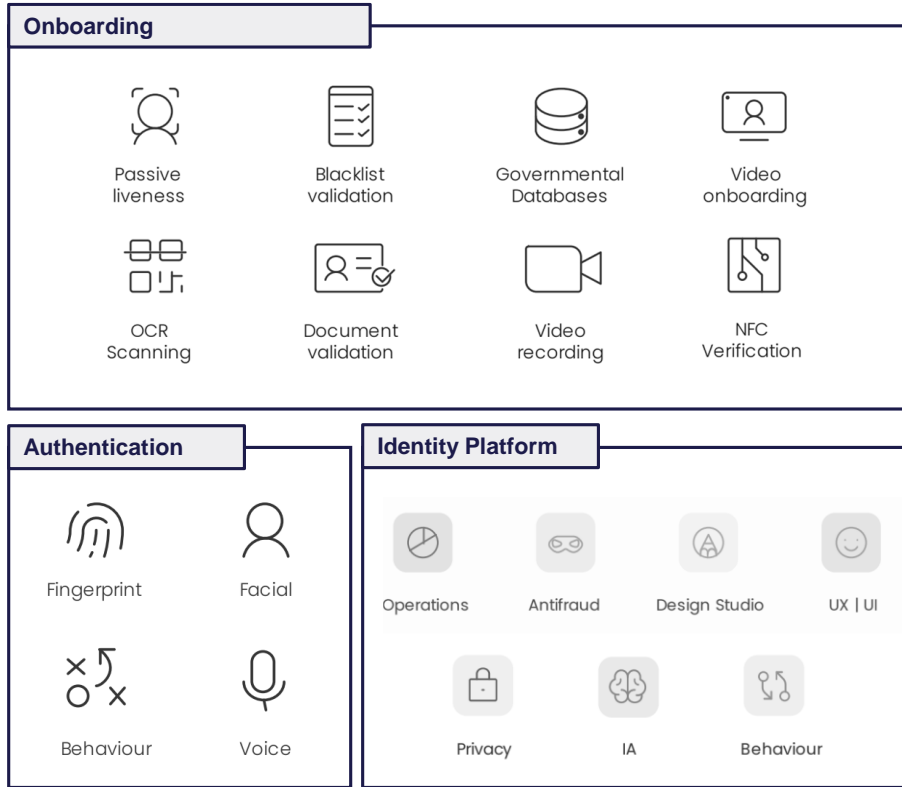
Facephi's best sellers are:

- **Onboarding:** Facephi's core offerings, allowing businesses to securely and easily verify customer identities online. By using facial recognition and document scanning, customers can open bank accounts or access services without physical presence - 63.3% of LFY Sales
- **Authentication:** Facephi provides multi-factor authentication using biometric verification, such as face recognition, for secure customer logins and transaction approvals - 31.3% of LFY Sales
- **Consulting Services:** provided as part of Onboarding and Authentication, Facephi analyses and advises clients on how to optimise the solutions' usability and results - 4.4% of LFY Sales (increasing to c.9% for 1H24)

Facephi also developed other innovative offering:

- **Digital Identity Platform:** Multibiometric solution that enables customers to design customisable digital onboarding and authentication process to meet users' needs - 1.2% of LFY Sales. The Identity Platform serves as a foundational solution that supports other services, creating potential upselling and cross-selling opportunities. The ability of the Identity Platform to enhance customer engagement and facilitate additional service offerings should be one of the factors driving future growth.
- **Identity Wallet:** Wallet that centralises and protects all user interactions, giving them full control over their data.

**Exhibit 28: Facephi's Main Product Offering**



Source: Company's Reports and Presentations, Marex

**Exhibit 29: Facephi Services Major Industries**



Source: Company's Reports and Presentations, Marex

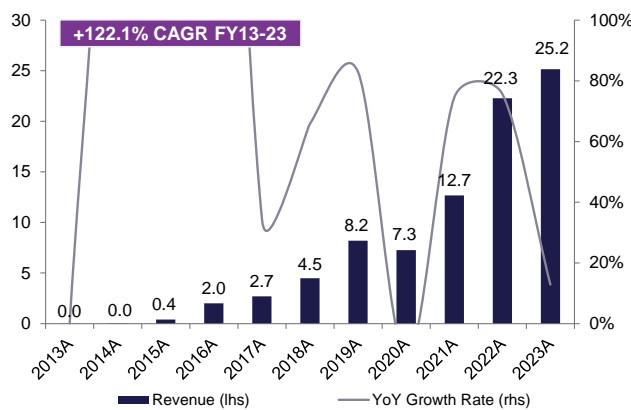
**... currently servicing the financial services industry in Latam...**

Facephi currently sells its Onboarding and Authentication solutions mostly to financial services clients (c.97% of FY23 Revenue), with market-leading positions in Latam (c.94% of FY23 Revenue), and has achieved >300m transactions for 300 clients in 25 countries.

The Co has achieved Revenue of €25.2m for FY23, a solid growth rate of +12.9% YoY and a +41.2% FY18-23 CAGR, which makes Facephi one of the fastest growing companies within its selected peer group (average growth rate of -4.2% in 2023). Most of Facephi’s revenue come from recurring customers relying on the Co’s technology and renewing licensing package every year (ARR of €27.4m for 1H24, +25.7% vs LFY and +115.7% vs FY22).

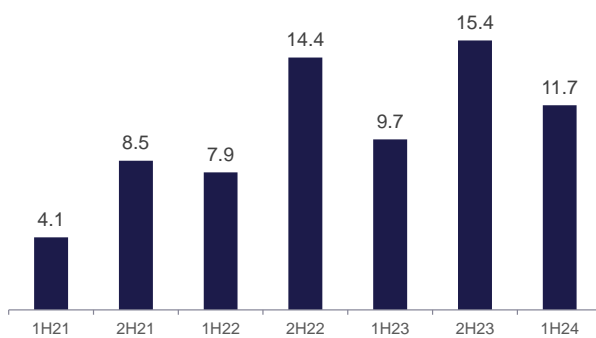
We also note a cyclical pattern in sales, with on average (over the last 3 FY), approximately 2/3 of sales achieved during the 2H. This cyclical pattern is mainly explained by the fact that negotiations started during the year and cybersecurity procurement decisions are usually finalised during the later part of a given year.

Exhibit 30: Facephi’s Revenue and Growth Rate, FY13-23 (EURm, %)



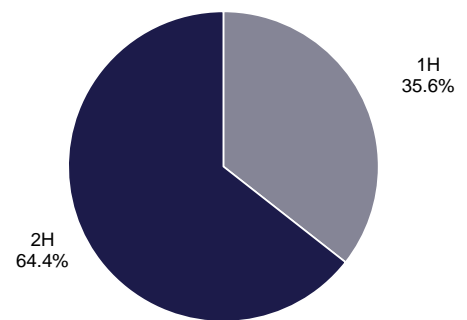
Source: Company’s Reports and Presentations, Marex

Exhibit 31: HY Revenue 1H21-2H23 (EURm)



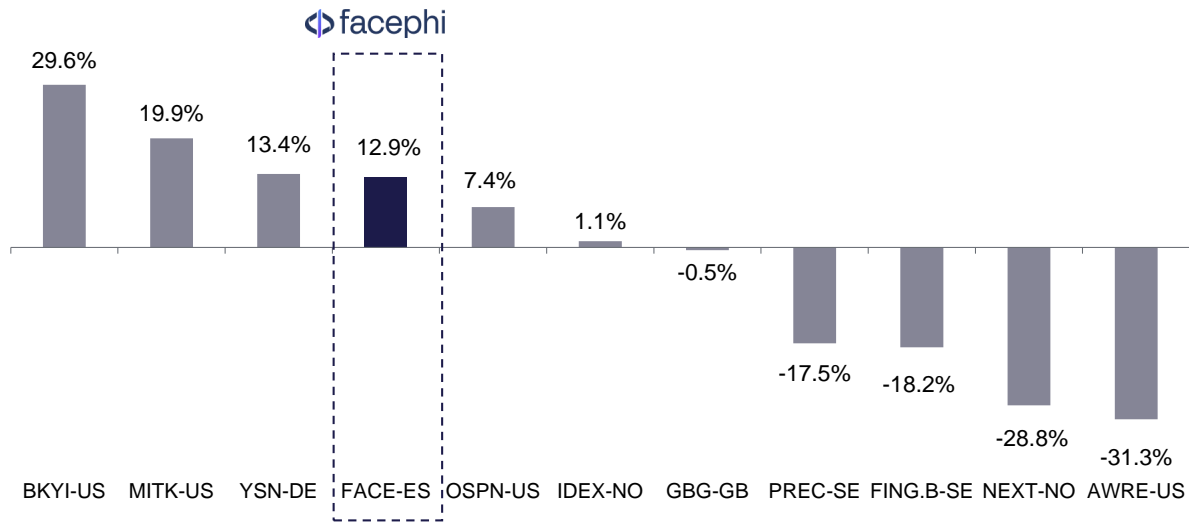
Source: Company’s Reports and Presentations, Marex

Exhibit 32: Average Revenue Cyclicalty FY21-23



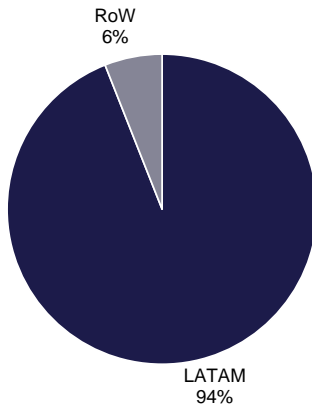
Source: Company’s Reports and Presentations, Marex

Exhibit 33: Facephi's FY23 YoY Revenue Growth vs Selected Peers



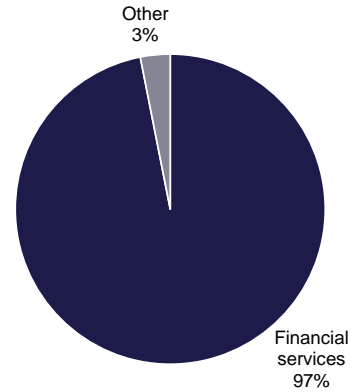
Source: Company's Reports and Presentations, Marex, FactSet

Exhibit 34: FY23 Revenue Breakdown By Geographies



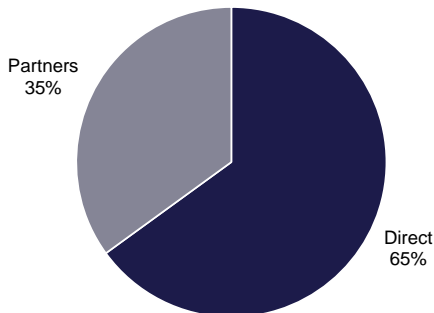
Source: Company's Reports and Presentations, Marex

Exhibit 35: FY23 Revenue Breakdown By Client Type



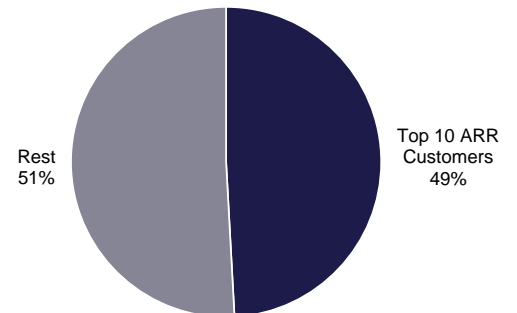
Source: Company's Reports and Presentations, Marex

Exhibit 36: Direct vs Partners FY23 Sales



Source: Company's Reports and Presentations, Marex

Exhibit 37: FY23 Revenue Share Of Top 10 ARR Customers



Source: Company's Reports and Presentations, Marex

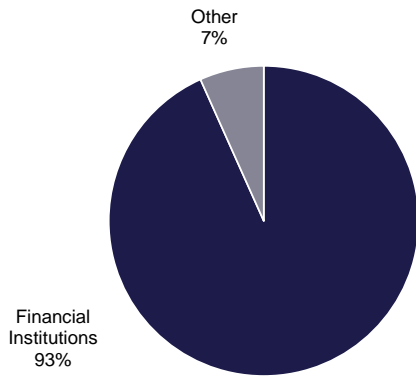
Facephi’s client base includes >120 banks and large institutions worldwide, such as CaixaBank, Banco Nacional de Costa Rica, Banco General in Panama, and HSBC. It has a strong presence in Latin America (94% of LFY Revenue), which is one of its fastest-growing markets.

Exhibit 38: Facephi’s Main Customers



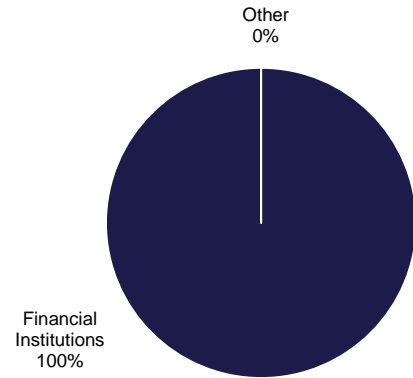
Source: Company’s Reports and Presentations, Marex

Exhibit 39: Facephi’s Top 30 Customers By Typology



Source: Company’s Reports and Presentations, Marex

Exhibit 40: Facephi’s Top 10 Customers By Typology



Source: Company’s Reports and Presentations, Marex

### ... and signing strategic partnerships with major players

Facephi has successfully implemented a partnership approach, enabling the Co to leverage major partners network and capabilities to improve market expansion and penetration in new geographies, increasing the group's sales whilst remaining asset-light. These collaborations have positioned Facephi as a trusted and recognised player within the industry, working alongside well-established firms and enhancing Facephi's brand and reputation.

Exhibit 41: Some of Facephi's Partnerships



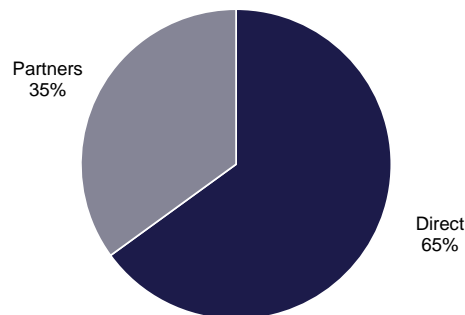
Temenos Exchange clients can access a suite of top identity verification solutions to streamline customer onboarding, manage digital identity, mitigate fraud and simplify the KYC processes.



Hancom, the South Korean conglomerate, will be the exclusive distributor of Facephi's products in Asia. Hancom is one of SK's leading software conglomerates and is known for its broad scope and leadership in various hi-tech sectors.

Source: Company's Reports and Presentations, MAREX

Exhibit 42: LFY Direct vs Indirect Sales



Source: Company's Reports and Presentations, MAREX



### A recognised player in the industry

Facephi is recognised as a top biometric solutions provider, with top industry certifications (EU, UK, South Korea and ISO certifications among others)

Exhibit 43: Facephi's Main Certifications



Source: Company's Reports and Presentations, Marex

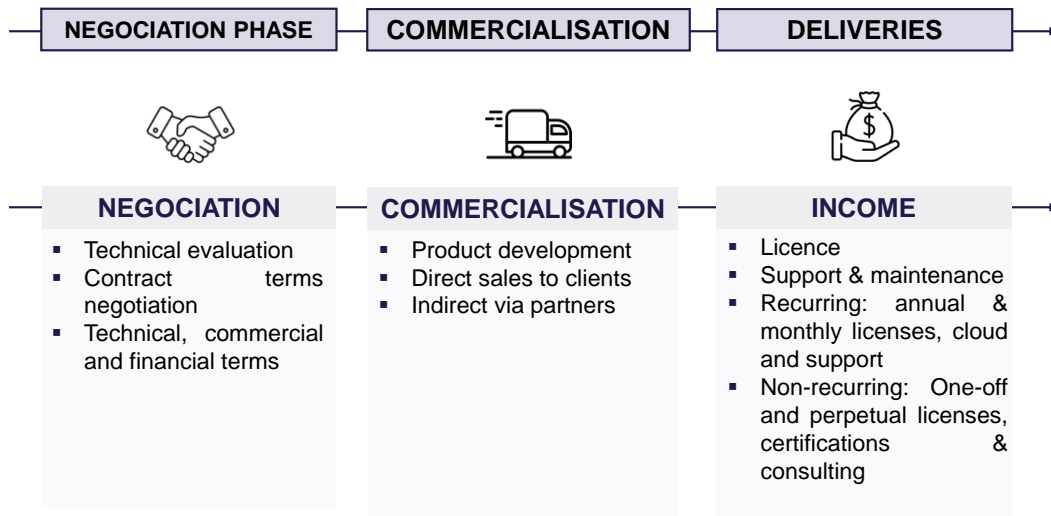
### Contracts timing and KPIs

Contract timing obviously depends on many factors and parameters including (but not limited to) the size / type of customers and the degree of customisation required before production release.

Contracts timing can vary from as little as 3 months for the quickest projects to more than a year when more work (qualification, assessment, development, etc) is required. The steps in securing a contract are the following: 1/ prospecting and 1<sup>st</sup> contact with the potential client, 2/ qualification and assessment of contract probability, 3/ research, planning and demonstration, 4/ commercial presentation, 5/ contract negotiation and closing and 6/ product development, release and invoicing.

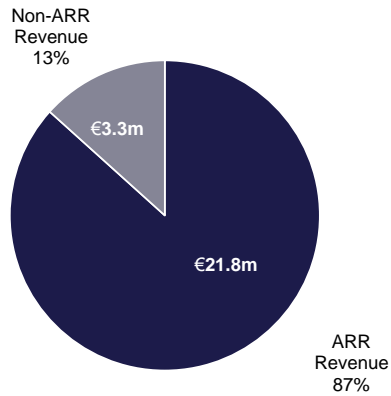
The Co had LFY ARR of €21.8m (86.7% of FY23 Revenue) and backlog ARR of €27.4m as at 1H24, with a 3-year retention rate average of c.90% (>90% when analysed by total contract value), direct translation of the customer satisfaction that Facephi achieves YoY.

Exhibit 44: Facephi's Contract Phases



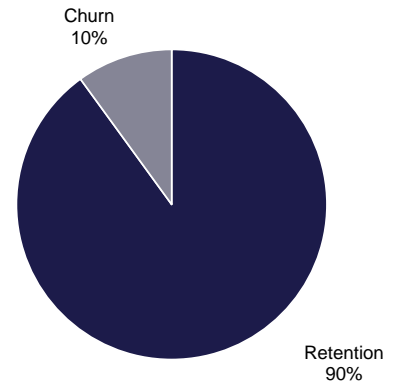
Source: Company's Reports and Presentations, Marex

Exhibit 45: Facephi's FY23 ARR



Source: Company's Reports and Presentations, Marex

Exhibit 46: Facephi's 3y-Average Retention Rate FY21-23



Source: Company's Reports and Presentations, Marex

## An Asset-light and Reduced-costs Model

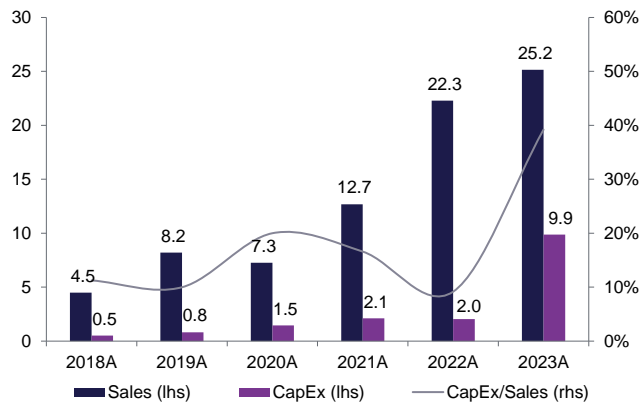
### An asset-light structure with mostly intangible assets

Facephi has an asset-light structure, with relatively low Capex and related D&A. The Co mainly focuses on intangible Capex (software and R&D) to remain at the edge of innovation and ensure it remains competitive. The rest of the B/S on the asset side is mainly accounts receivable (€13.6m for FY23, +21% YoY, c.30% of total assets) which is a direct translation of the proper commercial execution of the group as sales increase as well as prior revenue recognition method (TCV), which required the Co to record the full contract value upfront, even if payments were spread over multiple years, hence LT receivables expected to decrease to 0 by 2026/2027.

Fixed assets represent c.32% of total assets (B/S size of €45.7m), amounting €14.5m for FY23 (c.29% and €9.4m respectively for FY22), and historically represent most of the non-current assets (the rest being DTA and other receivables). Intangible assets represent c.26% of total assets, at €11.8m for FY23 (c.24% and €7.6m respectively for FY22). This asset-light structure translates into low Capex requirements and D&A as the Co is efficiently servicing its customer with its current asset base. For FY23, Capex was high at €9.9m, 39.2% of revenue (€2.1m and 9.3% for FY22) but on average since 2016 this was closer to 12% (excl. FY23).

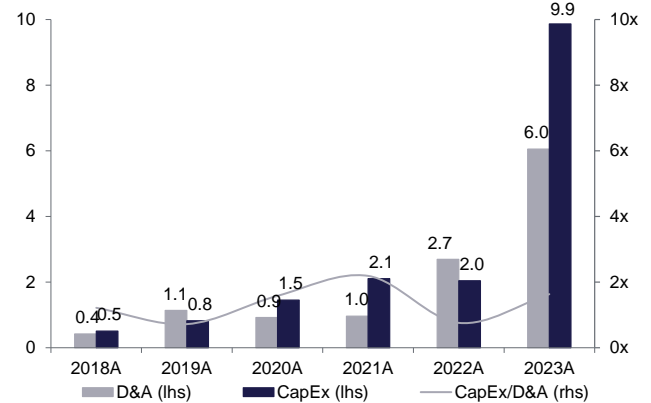
As per our discussion with the management, the Co has now reached its targeted production capacity and will be able to address its historical market (Latam) and new markets (such as EMEA and APAC) with the current asset base, hence we expect this asset-light structure to remain and Capex to be limited.

Exhibit 47: Sales, Capex and CapEx/Sales FY18-23 (EURm, %)



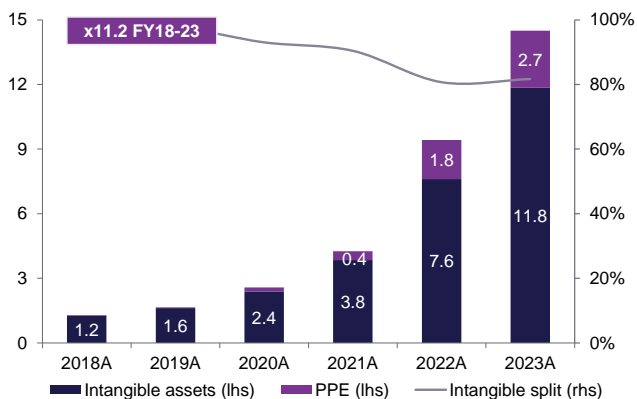
Source: Company's Reports and Presentations, Marex

Exhibit 48: D&A and Capex FY18-23 (EURm, x)



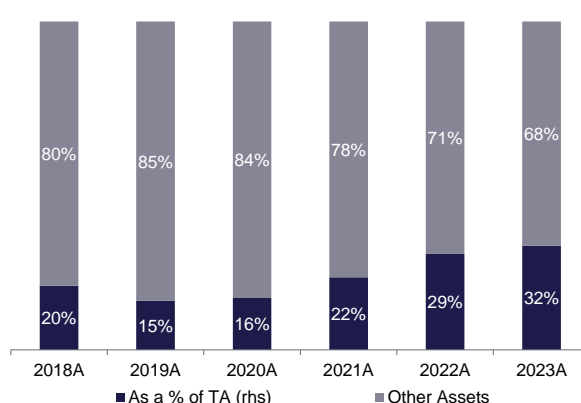
Source: Company's Reports and Presentations, Marex

Exhibit 50: Intangible Assets and PPE Split FY18-23 (EURm, %)



Source: Company's Reports and Presentations, Marex

Exhibit 51: Intangibles vs Total Assets FY18-23 (%)

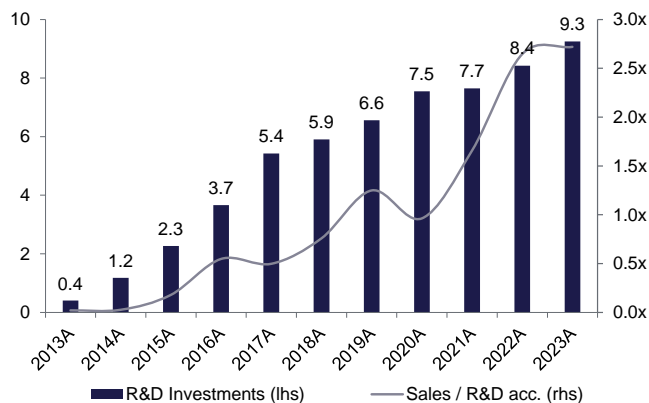


Source: Company's Reports and Presentations, Marex

### An efficient cash consumption to fuel R&D

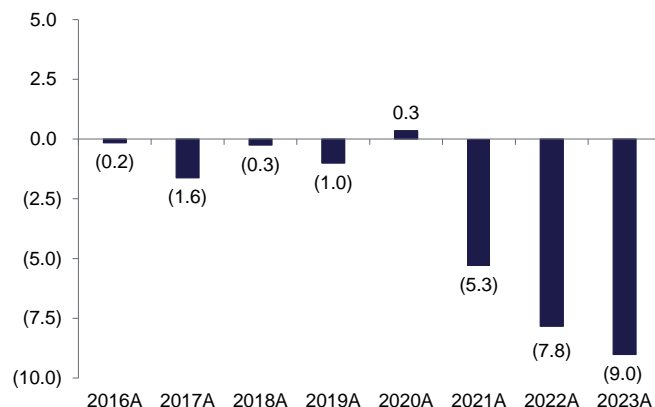
Facephi cash consumption has been quite succinct and efficient since its listed debut in 2014. Cumulated FCFs since 2016 stand at €24.8m, less than FY23 Revenue of €25.2m, and total capitalised R&D since inception is <€10m with a strong Revenue to R&D ratio of 2.7x. Approximately 55% of R&D spending is capitalised (rest is expensed), hence total R&D spending since inception is <€20m, showing Facephi's ability to turn R&D into Sales.

Exhibit 52: R&D Investments and Sales to R&D Since Inception (EURm, x)



Source: Company's Reports and Presentations, Marex

Exhibit 53: Facephi's FCF FY16-23



Source: Company's Reports and Presentations, Marex

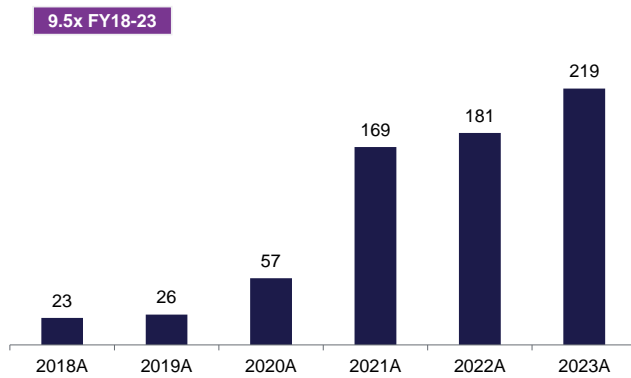
### A reduced-cost base

Most assets, operations and people are based in Alicante, Spain. We believe this gives the Co a natural hedge over competition with lighter Opex (for staff costs, admin and R&D) whilst remaining competitive internationally as it mainly competes against western peers with higher cost basis.

Facephi employed c.233 LFY, 204 as at FY22, 10x 2018-23). This amount includes actual Facephi employees and not freelancers. Co employs qualified individual given the nature of the work performed, with c.70% of the workforce working in technology science and support in 2023. Despite this, the Co's staff costs per employee remained <€62k/year for FY22 and FY23. For instance, a global company such as Thales (via its ex-Gemalto subsidiary, Thales DIS) has staff costs of c.€102k/year for FY23.

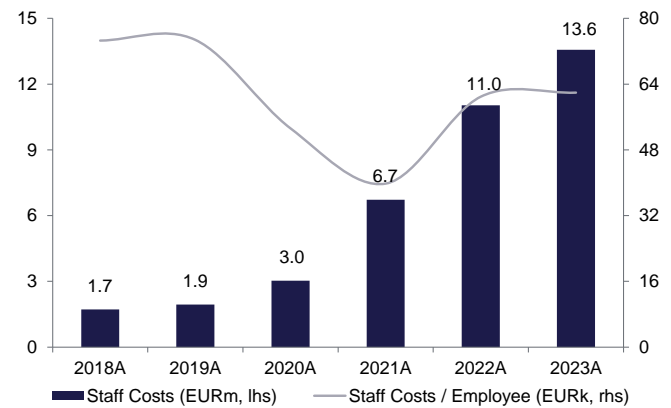
Opex historically ranges between c.34-55% (€12.2m, +58.3% YoY, c.48.6% of Revenue for FY23) and COGS remain <20% of Sales (€3.4m, +6% YoY, 13.4% of Revenue).

Exhibit 54: Average FTEs Evolution FY18–23



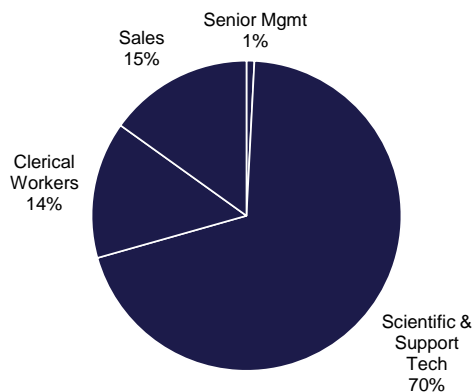
Source: Company's Reports and Presentations, Marex

Exhibit 55: Payroll Costs Evolution FY18–23



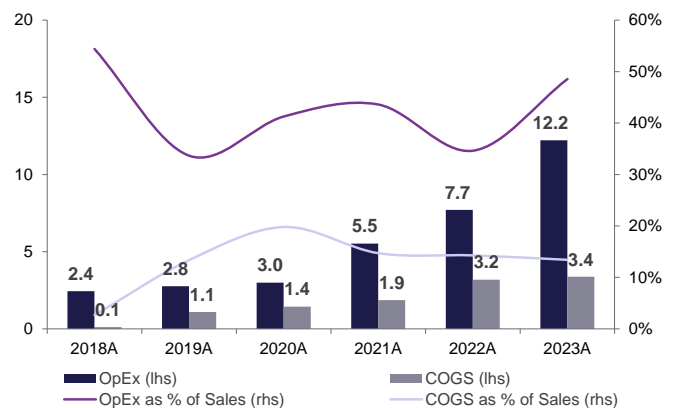
Source: Company's Reports and Presentations, Marex

Exhibit 56: Staff Breakdown by Function FY23



Source: Company's Reports and Presentations, Marex

Exhibit 57: Opex Evolution FY18-23 (EURm, %)



Source: Company's Reports and Presentations, Marex

Exhibit 58: Asset-light Structure and Spain-based Benefits

<b>Asset Light</b>	<ul style="list-style-type: none"> <li>■ Investments focused on intangible assets</li> <li>■ Limited PPE investments and expansion costs</li> <li>■ Reduced admin burden</li> </ul>
<b>Spain-based</b>	<ul style="list-style-type: none"> <li>■ Qualified R&amp;D FTEs</li> <li>■ Lower costs country vs peers</li> <li>■ Historical link to Latam</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>■ Ability to expand in new geographies w/o material investments</li> <li>■ Solid production capacity</li> <li>■ Margins improving</li> <li>■ Partnerships strategy</li> </ul>

Source: Company's Reports and Presentations, Marex

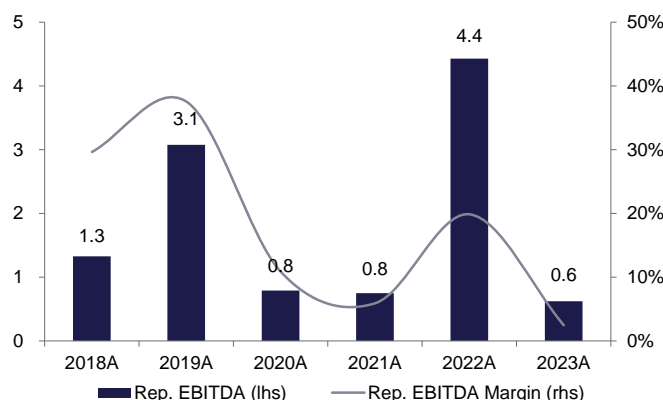
### A Company At Breakeven...

Facephi is characterised by an asset-light structure with reduced Capex required and a reduced-costs base providing the Co with a hedge over competition (reduced Opex for staff costs and R&D vs peers). This explains how the group managed to remain approximatively at EBITDA breakeven since inception.

Facephi reported a FY23 EBITDA of €0.6m, -85.9% YoY (strong base effect), for an EBITDA margin of 2.5%. FY22 EBITDA stood at €4.4m, +490.1% YoY, 19.9% margin. Adjusted from the Capitalised R&D accounted for as Revenue, FY23 cash EBITDA landed at -€3.5m (€0.6m for FY22). As the Co is at breakeven, there is still YoY volatility on reported EBITDA (strong sensitivity to Revenue and Opex).

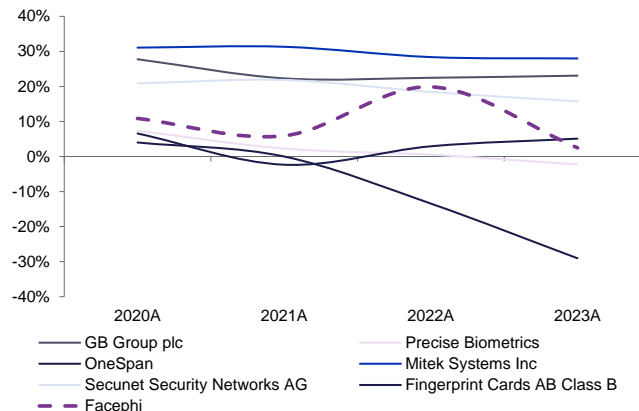
Facephi's EBITDA margin is globally in line with selected peers over the past 3 years. The selected peer group median EBITDA margin is 10.4% for FY23 vs Facephi at 2.5% and 10.7% for FY22 vs Facephi at 19.9%.

Exhibit 59: Facephi's EBITDA & Margin FY18-23 (EURm, %)



Source: Company's Reports and Presentations, Marex

Exhibit 60: Facephi's Rep. EBITDA Margin vs Peers FY20-26E



Source: Company's Reports and Presentations, Marex

### ... Headed by An Experienced Management Team

Senior directors and managers, headed by Javier Mira, Co-founder and CEO, have expertise in the area, with deep knowledge of the biometric industry. This entrepreneurial management team have headed Facephi for 12y. Hence, Facephi is still headed by its founder (owns c.5.6% of the shares as at 30 June 2024) which is positive, but also remains reliant historical managers. Facephi also recently hired a new CFO and a new IR, which underlines the efforts undertaken by the Co to structure and improve its business management and its financial market presence.

#### Exhibit 61: Facephi's Key Managers



##### ■ Javier Mira, Co-Founder, President of the Board and CEO

Javier has led Facephi for the past decade. With >20 years of experience, he is the one who set Facephi on its current growth strategy. He has been a speaker at conferences on biometrics and innovation, and a professor at AFI. Javier holds c.5% of the Co's shares.



##### ■ Aitor D'Oxandabartz Lopez, CFO

Aitor has >10 years of national and international experience as Corporate CFO in industrial companies and technology sector. He holds an MBA from IEB and a General Management Program (PDG) in Business Administration from IESE.



##### ■ Antonio Jorge González, IR

Antonio has over 15 years of experience in investor relations with listed companies in Spain, Mexico, and the U.S. He has studied in the UK, Mexico, and Spain: holding a degree in Mathematical Business Analysis from the University of Wolverhampton (UK), a diploma in Corporate Finance from the ITAM (Mexico), and a Senior Business Management Program from UNAM (Spain).

Source: Company's Reports and Presentations, Marex

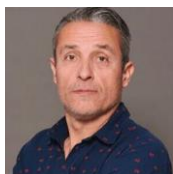
In terms of governance, the board has 5 members, of which 1 is a manager (Javier Mira, CEO). The chairman is Javier Mira, Facephi's CEO. We believe such board members will provide the Co with significant knowledge and networking opportunities to carry out the business successfully.

The Auditing Committee is made of Pablo Reig (President), David Devesa, Manuel Lanfossi and Juan Alfonso Ortiz. The Appointments and Remuneration Committee is headed by David Devesa (President), Pablo Reig and Juan Alfonso Ortiz.

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**Exhibit 62: Facephi's Board of Directors (excl. Javier Mira, President of the Board and CEO)**

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■ **Juan Alfonso Ortiz, Secretary of the Board**

Juan Alfonso holds a degree in Business Administration from the University of Alicante. He passed the competitive exam to become a certified Trade Broker in 1997 and has been practicing as a Notary in Almansa (Albacete).



■ **Pablo Reig, Member of the Board**

Pablo is an expert in auditing for both national and international companies. He holds a degree in Business Administration from the University of Alicante and has continued his education with various specialized courses in Auditing and Accounting. Additionally, he is a Certified Accounting Expert by the Registry of Accounting Experts (R.E.C.), a member of the Official Registry of Auditors (R.O.A.C.), and a member of the Alicante Board of the Institute of Chartered Accountants of Spain (ICJCE).



■ **David Devesa, Member of the Board**

David is a specialist in corporate law and M&A operations. He has been awarded "Lawyer of the Year" by the North American directory Best Lawyers. He is CEO and founding partner of Devesa Capital. He holds a Master Degree from IE business school.



■ **Manuel Lanfossi, Member of the Board**

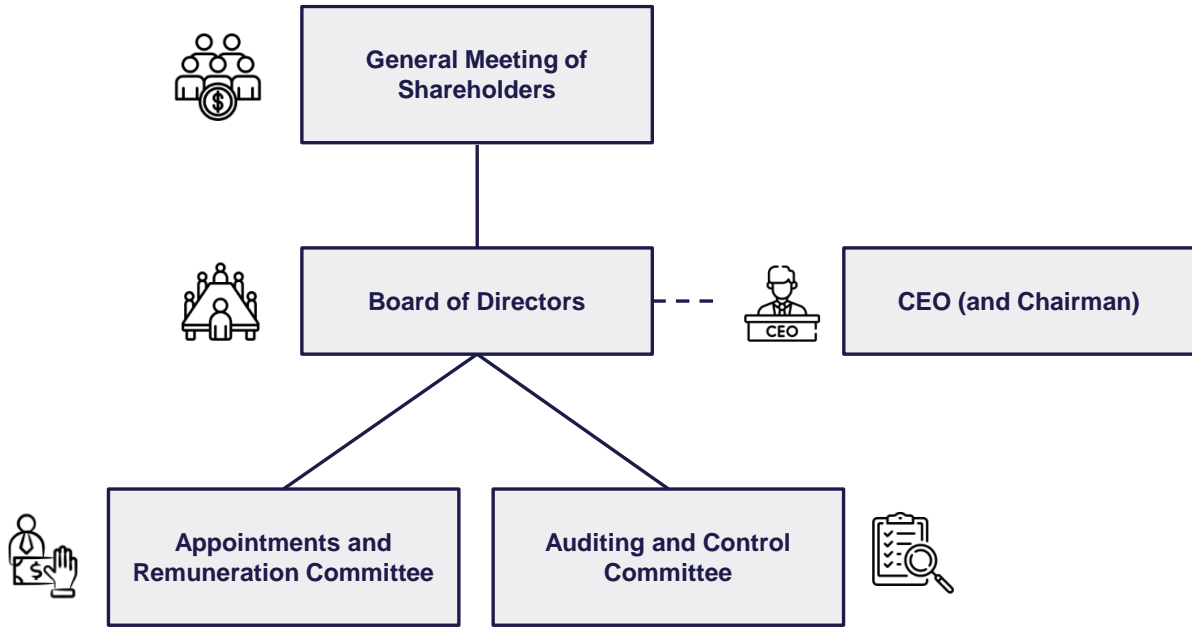
Manuel is a finance specialist with >20 years of experience in high-level financial roles across different sectors such as CFO at SpineGuard. He has been appointed by Nice & Green, Facephi's main shareholder.

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Source: Company's Reports and Presentations, Marex



Exhibit 63: Facephi's Corporate Governance Model



Source: Company's Reports and Presentations, Marex

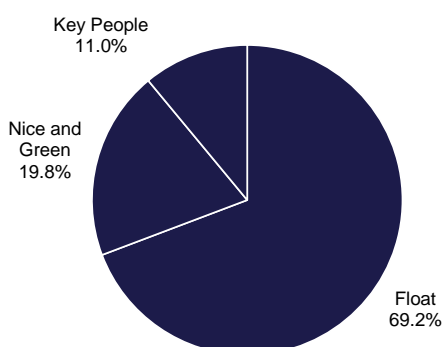
## Ownership Structure

Facephi had 22 589 351 shares in issue and a free float of c.69.2% before Hancom investment (64.4% after).

- Nice and Green (N&G): main shareholder with c.19% of the shares. Nice and Green made its 1<sup>st</sup> investment in 2019, totalling €4m (€500k loan / €3.5m Equity Warrants) and followed with a 2<sup>nd</sup> investment the following year with the issuance of Equity Warrants (2-years term and max amount of €20m). N&G's proceeded with its latest investment in 2023 with a €11m convertible bonds (conducted in tranches, which Facephi requests based on its strategic needs and expansion plans).
- Managers and employees: including the share deposited with N&G, Javier Mira and Juan Alfonso Ortiz have c.11% of the shares
- Hancom: to become the 2<sup>nd</sup> most important shareholder with c.7% of the shares. The South Korean conglomerate has invested €5m following the signing of a strategic partnership between the two groups which granted Hancom the exclusive right and license to use the Facephi's technology in APAC countries.

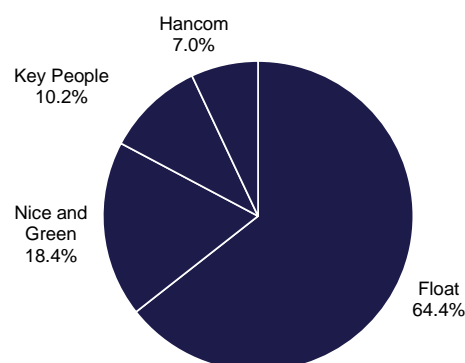
No dividends have been paid-out since the IPO as the Co invests heavily in R&D and has been loss making so far.

Exhibit 64: Pre-Hancom Investment Shareholding Structure



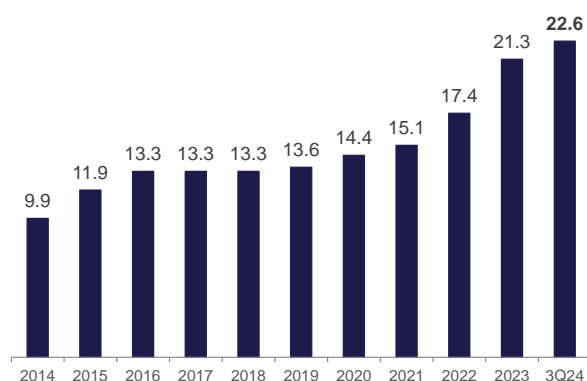
Source: Company's Reports and Presentations, Marex

Exhibit 65: Current Shareholding Structure



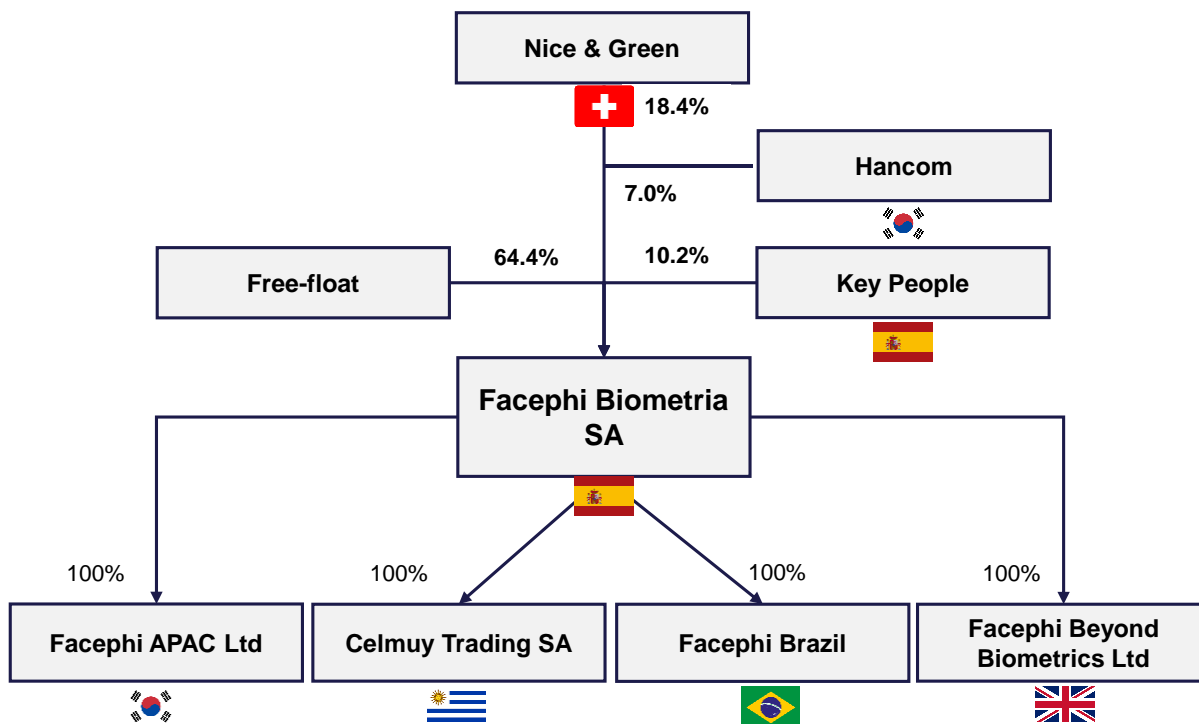
Source: Company's Reports and Presentations, Marex

Exhibit 66: Share Outstanding Evolution, FY14-3Q24 (m)



Source: Company's Reports and Presentations, Marex

Exhibit 67: Facephi's Corporate Structure



Source: Company's report and presentation, Marex

## An Innovative Product Offering

Facephi has built up a product offering revolving around its historical knowledge in facial recognition and biometrics analysis: 1/ Onboarding and 2/ Authentication solutions. The Co is 99% proprietary of its technology and is now developing new products (Facephi's Integra, KYB Platform). Thanks to this innovative product offering, Facephi became a leader in the financial services industry in Latam and is now aiming at gradually replicating this to other markets and geos.

## A Leader in Biometric Solutions

### What is biometric recognition and verification?

Biometric recognition, as defined by the International Standards Organization (ISO) in ISO/IEC 2382-37:2022(E), refers to the automated identification of individuals based on their biological or behavioural characteristics. The process begins with biometric capture, which involves recording information about a person's physical, biological, or behavioural traits. This can be done directly from the individual or from an existing representation, such as a photograph. Biometric recognition systems work by comparing two sets of biometric features. The goal of this comparison is to determine the likelihood that the two sets of features belong to the same person, thereby validating or rejecting the person's identity for identification and verification purposes. Passport eGates in airports or smartphones unlocking systems are good example of biometric verification technologies used daily.

Biometric systems in use are usually facial recognition systems. Facial recognition is usually considered as a subset of computer vision and a technology that identifies and verifies individuals by analysing and comparing unique facial features. It employs algorithms to capture, analyse, and match facial patterns from images or video frames. This technology has a wide range of applications (access control, surveillance, user authentication, or personalised experiences on digital platforms, among others).

Exhibit 68: Facial Recognition In Use In Airports



Source: Business Insider, Marex

Exhibit 69: Facial Recognition In Use In Smartphones



Source: Peers website, Marex

### Summary of Facephi’s product offering

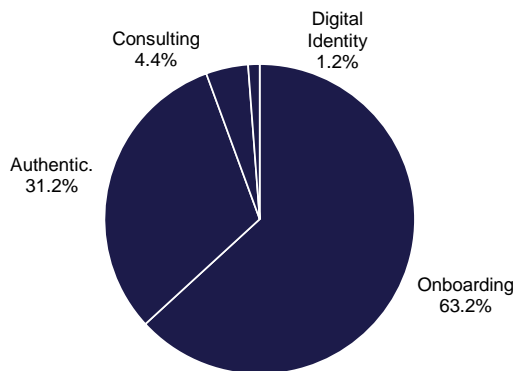
As aforementioned, Facephi’s current best sellers are:

- **Onboarding:** Facephi's core offerings, allowing businesses to securely and easily verify customer identities online. By using facial recognition and document scanning, customers can open bank accounts or access services without physical presence.
- **Authentication:** Facephi provides multi-factor authentication using biometric verification, such as face recognition, for secure customer logins and transaction approvals.
- **Consulting Services:** provided as part of Onboarding and Authentication, Facephi analyses and advises clients on how to optimise the solutions’ usability and results.

Facephi also developed other offering:

- **Digital Identity Platform:** Multibiometric solution that allows the customer to design any digital onboarding and authentication process, which can be adjusted according to users’ needs (and serving as a foundational solution that supports other services, creating upselling and cross-selling opportunities)
- **Identity Wallet:** Wallet that centralises and protects all user interactions, giving them full control over their data (hybrid solution based on sovereign identity). Facephi has established this new product in 2023.

Exhibit 70: Facephi’s LFY Sales By Product and Services



Source: Company’s Reports and Presentations, Marex

Exhibit 71: A Strong Technology

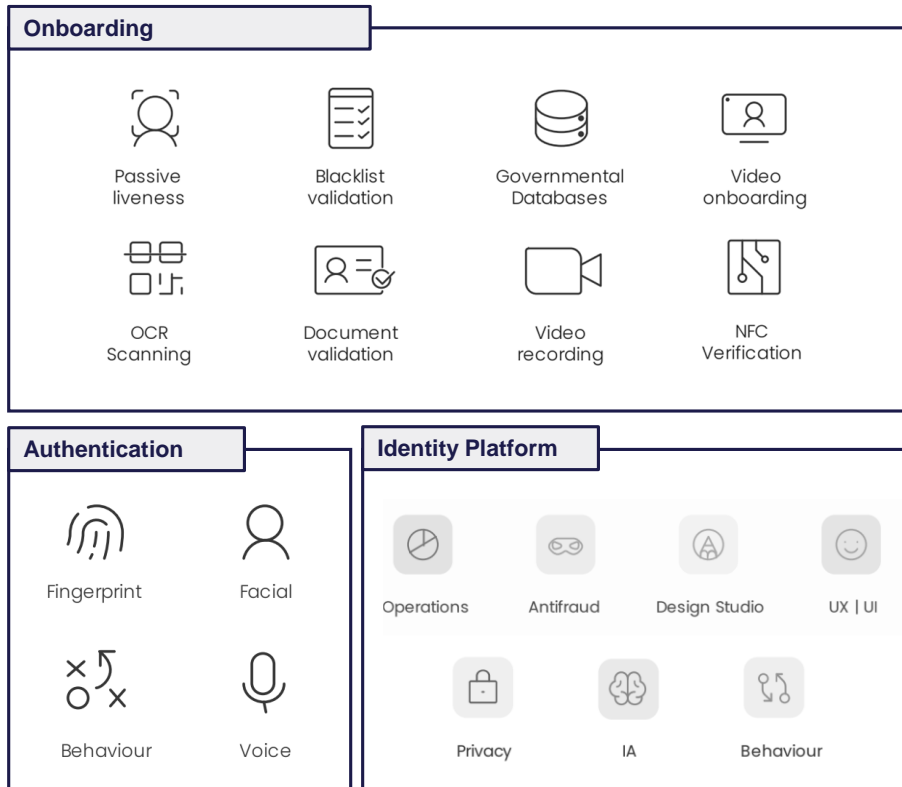
<b>Tech</b>	99% proprietary
<b>R&amp;D</b>	+12 years
<b>Team</b>	70% Tech
<b>Users</b>	+300m

Source: Company’s Reports and Presentations, Marex

Facephi’s products are sold separately (in SaaS or On-premises mode) but are often sold as part of a package that includes both products and support. The products / services sold often progress year over year for a given customer as the relationship and trust grow. For instance, Facephi’s Identity Platform is often sold to existing customers already using the Onboarding and Authentication solutions.

Overall, Facephi’s product offering is heading towards the comprehensive management of digital identity which is now playing a key role in customers day-to-day life.

Exhibit 72: Facephi's Main Product Offering



Source: Company's Reports and Presentations, Marex

Exhibit 73: The Digital Identity Concept Is Becoming Global

<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>Emerging banking models such as Open Banking or Open Fintech depend on generating ecosystems based on trust</li> <li>New regulatory developments will impact the sector and less regulated environments such as crypto</li> <li>Fraud control and risk minimisation</li> </ul>
<b>Transport and borders</b>	<ul style="list-style-type: none"> <li>Many initiatives are underway to standardise how digital identities are used in airports, including IATA's One ID</li> <li>Facephi already supports projects that securely enhance the traveller experience, based on identity verification technology</li> </ul>
<b>Public Institutions</b>	<ul style="list-style-type: none"> <li>ID Wallet in EU expected to be available by 2030</li> <li>UN and World Bank promoting Digital Identity with ID4D project</li> <li>NIST promotes Digital ID standardisation project</li> </ul>
<b>E-services</b>	<ul style="list-style-type: none"> <li>Digital first customers operating exclusively online need secure environments, bound by regulatory frameworks such as GDPR</li> <li>KYC and qualified identity building is set to become the cornerstone of the entire ecosystem on which CX is built</li> </ul>

Source: Company's Reports and Presentations, Marex

## Onboarding and Authentication Solutions

Onboarding and Authentication solutions are Facephi's historical and core facial recognition product offering that allowed the Co to become the leader it is today on financial services clients.

### Onboarding

The Facephi's Digital Onboarding solutions' goal is to streamline new user registration without compromising on security and compliance.

The Co' solution enables automatic document capture, and remote user onboarding and authentication, through selfies with passive liveness checks. Using advanced OCR, a client can accurately extract all the data from an ID document (a passport, driver's license etc.) in real-time. The solution then authenticates the user through facial biometrics, comparing the user's selfie to the image in the ID document or on other databases.

Exhibit 74: Digital Onboarding Main Steps



Source: Company's Reports and Presentations, Marex

Exhibit 75: Facephi Services Major Industries

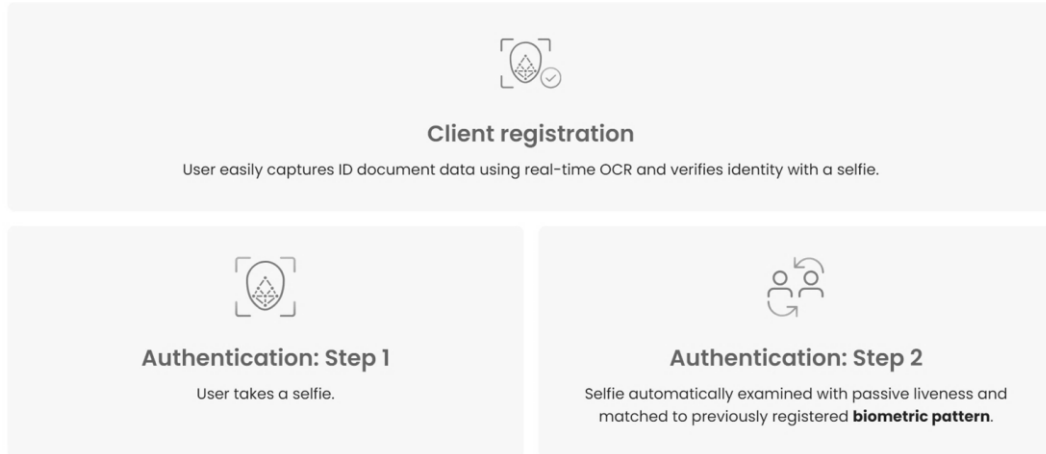


Source: Company's Reports and Presentations, Marex

### Authentication

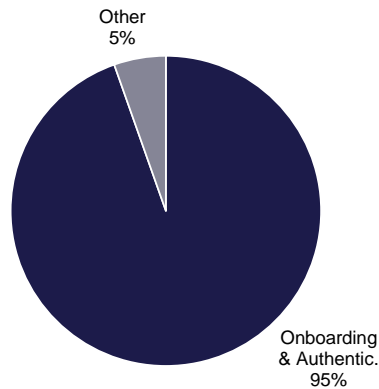
Facephi’s Authentication is a solution that allows user identity verification through biometric technology. The product enables secure user access to any application or physical environment and improves the security of transactions with trusted biometric authentication. The solution supports different types of biometric technology (facial, voice, fingerprints, digital signature) allowing its use individually or jointly for enhanced security. Facephi achieves a 99.998% accuracy rate with this solution.

Exhibit 76: Authentication Main Steps



Source: Company’s Reports and Presentations, Marex

Exhibit 77: Cumulated Onboarding and Authentication FY23 Revenue vs Total Revenue



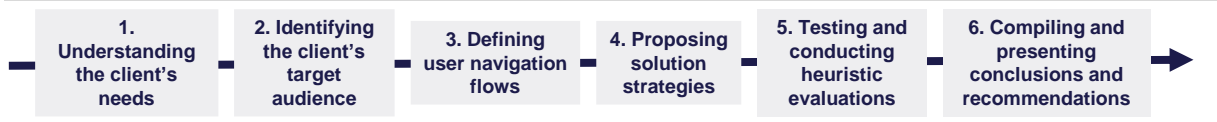
Source: Company’s Reports and Presentations, Marex



## Consulting Services

Often provided as part of Onboarding and Authentication, Facephi analyses and advises clients on how to optimise the solutions' usability and results. This allows 1/ to improve the relationship with existing client, 2/ increase sales vertically (more license hired) and horizontally (more products sold). Consulting represented c.4.4% of FY23 Revenue.

Exhibit 78: Consulting Services Main Steps



Source: Company's Reports and Presentations, Marex

## A Product Offering Particularly Relevant Within the Financial Services Industry

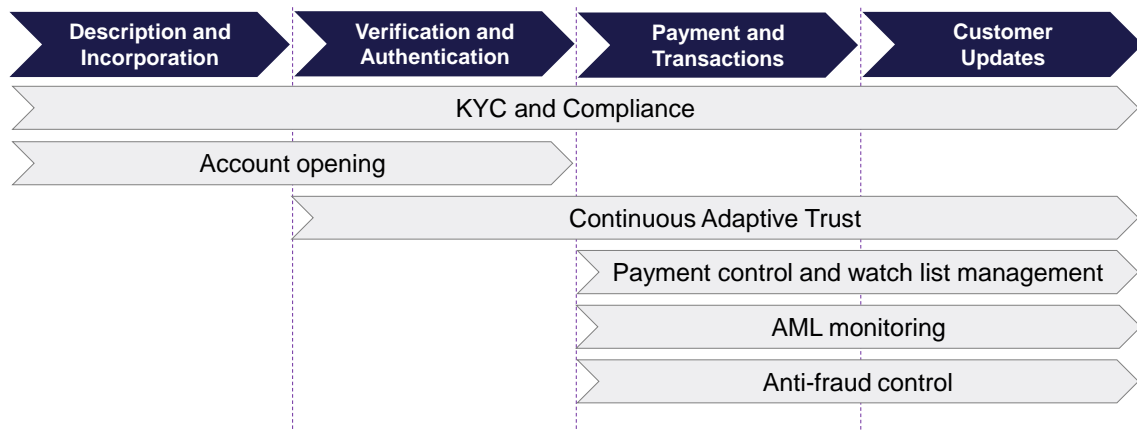
As aforementioned, Facephi's client base includes >150 banks and large institutions worldwide, such as CaixaBank, Banco Nacional de Costa Rica, Banco General in Panama, and HSBC mainly in Latam (93.6% of FY23 Revenue for banks). The financial services industry represented c.97% of FY23 Revenue but the Co is currently diversifying its client base (healthcare, airlines, government). However, this sector remains one in which Facephi is a market leader and continue to gain new clients.

Exhibit 79: Some of Facephi's Recent Customers

  <p>Samsung Securities chooses Facephi's technology to verify the identity of its users on its financial platform (financial services subsidiary of the Samsung Group), further consolidating the Co's position in the Asia Pacific market.</p>	  <p>Joined MovilMax Guatemala to improve authentication in advanced electronic signature processes. This integration will include video authentication and electronic signature, which will streamline the identification of users through their biometric data and identity documents, ensuring a faster and more efficient process.</p>
  <p>Biometrics and document reading service with OCR for SME Mobile Credit (SME Digital Onboarding) and other processes in the segment. Solution to register customers using OCR technology, as well as to visualise all transactions carried out in real time.</p>	  <p>Facephi initiated a proof of concept (POC) with Aafaq to improve onboarding of customers using a UAE ID card, optimising identity verification against government databases.</p>

Source: Company's Reports and Presentations, Marex

Exhibit 80: Benefits of Facephi's Solutions Applied to Financial Services



Source: Company's Reports and Presentations, Marex

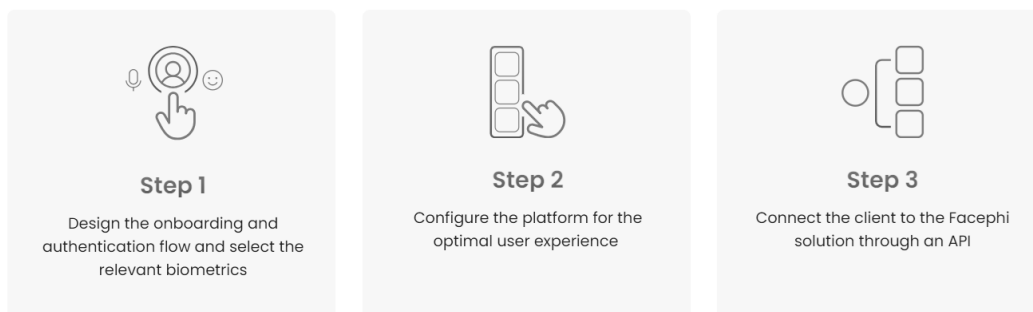
## Recent and New Product Offering

### Digital Identity Platform and Wallet

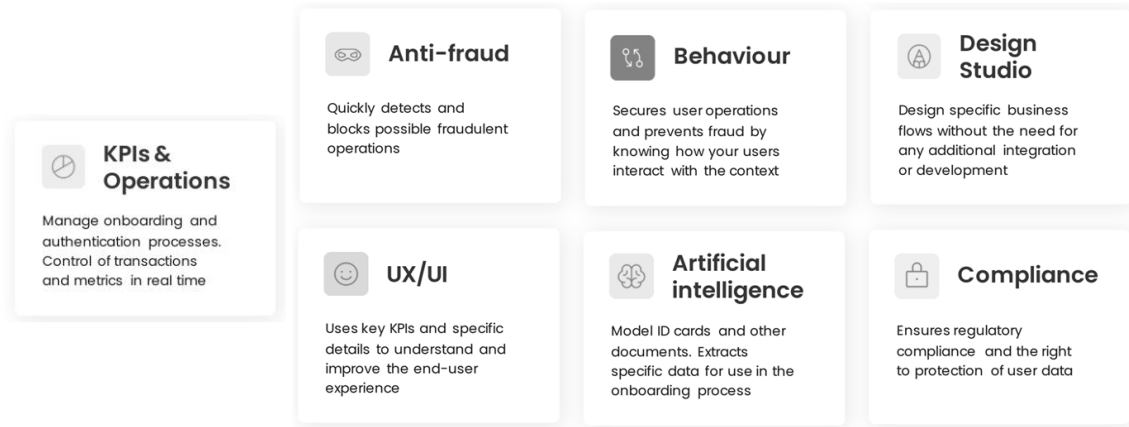
Facephi has released its Identity Platform in 2021 to improve clients' processes and make better decisions based on comprehensive data analysis. This solution offers customisable digital identity verification processes, tailored on clients' needs. The platform boasts a multitude of biometric solutions for an accessible and ensures security for both organisation and end-user. It includes design studio, operations, privacy, anti-fraud, UX metrics and artificial intelligence (AI). Facephi is also able to assist client willing to use the platform. We also note that Identity Platform serves as a foundational solution that supports other services, creating upselling and cross-selling opportunities for the Co.

Facephi's Wallet is its latest product (2023). It centralises and protects user interactions to give them control over their data (hybrid solution based on sovereign identity).

Exhibit 81: Digital Identity Platform Main Steps



Source: Company's Reports and Presentations, Marex

**Exhibit 82: Facephi's Identity Platform Main Features**

Source: Company's Reports and Presentations, Marex

**Product Expansion**

Facephi is actively developing a set of new solutions: Integra, Identity Fabric, Behavioural Biometrics, KYB Platform, showing a strong commitment to innovation, key in this field to remain competitive and win new customers.

**Exhibit 83: Facephi's Product Expansion**

<b>Facephi Integra</b>	<ul style="list-style-type: none"> <li>■ Boutique consulting service and premium integration support</li> <li>■ Service rendered following a Plan-Do-Check-Maintain</li> </ul>
<b>Identity Fabric</b>	<ul style="list-style-type: none"> <li>■ Centralised management of customers' digital identity and secure access to services and products</li> <li>■ Modules comprise Compliance &amp; Privacy Management, KYC &amp; Customer Lifecycle, Security &amp; Antifraud, Interoperability</li> </ul>
<b>Behavioural Biometrics</b>	<ul style="list-style-type: none"> <li>■ User authentication based on their behaviour patterns in order to secure the customer's entire session</li> <li>■ Platform components are Review of BioID data, Policy Manager, Hunter, FDR console, Active defense, APA &amp; Datastream, Fraud detection engines</li> </ul>
<b>KYB Platform</b>	<ul style="list-style-type: none"> <li>■ User authentication based on their behaviour patterns in order to secure the customer's entire session</li> <li>■ Platform components are Review of BioID data, Policy Manager, Hunter, FDR console, Active defense, APA &amp; Datastream, Fraud detection engines</li> </ul>

Source: Company's Reports and Presentations, Marex

## Value Proposition

### Value added

Facephi has a strong relationship with >300 clients and transactions made in 25 countries. The Co adds value in-house thanks to decades of R&D (99% proprietary) allowing it to provide customised and high-quality solutions meeting clients' specific needs. Facephi is a market leader in Latam and has a very good track record servicing the most demanding customers (banks). Finally, Facephi operates from a reduced-costs country (Spain) to address a market with intrinsic high barriers to entry: a track record and decades of R&D are needed to penetrate such a competitive market.

### Barriers to entry

We assess the barriers to entry as high for the following reasons:

- **R&D and Knowledge:** Facephi has been investing in R&D for 12y with >€9m spent and capitalised and has a team of R&D dedicated employees (c.55 FTEs, c.24% of total FTEs). The Co is also an expert in GDPR and banking regulation, which act as a barrier to entry vs potential new entrants with no knowledge of the industry.
- **Reputational:** Facephi is recognised as an established player within the industry, with a broad client base and a good reputation.
- **Reduced cost base:** By having most operations in a reduced-cost country (Spain), Facephi has a natural hedge over western competitors. Most competitors are based in more expensive countries (USA, UK or France for example) with higher costs. Hence, we believe this reduced cost / qualified employees mix acts as a barrier to entry for potential new entrants which would have higher structural costs.
- **Market saturation:** We consider the biometric solutions market as relatively saturated with 1/ major international companies addressing the market (Thales, Nec, Zebra) and 2/ smaller and more local companies (Idemia, GB Group or Onfido)

### Pricing power

We believe Facephi has a relatively low pricing power given that prices are usually a determining factor in winning tenders and competition can be quite fierce, hence price hikes are limited. Facephi's pricing policy is based on pricing range tables linked to the volume contracted and/or consumed by the customers (however there are also cases of unlimited package / perpetual licensing contract). The only price updates are based on the CPI.

## M&A and Firepower

### An M&A track record already validated

The Co has already demonstrated its ability to carry out successful M&A operations with the acquisition and integration of Ecertic in 2020, a qualified certification service provider under the European EIDAS regulation. This operation aimed at strengthening Facephi's leadership in digital onboarding, mainly nationally, as Ecertic was a prominent player in identity verification in Spain. Ecertic estimated turnover was €700,000 and got acquired for €2m (€1.16m in cash and the remaining tranche for 164,706 Facephi shares at €5.1/share). Ecertic's automatic documentary analysis technology was a key asset and enhanced Facephi's customer identification processes. Facephi was also able to leverage Ecertic's highly qualified FTEs with one of the cofounders still involved in the Co as CTO.

Exhibit 84: Facephi's Acquisition of Ecertic



Acquisition	
Name	Ecercic
Date	24-Jan-20
Turnover	€0.7m
Consideration	€2m
Payment details	€1.16m in cash / €0.84m in shares

Source: Company's Reports and Presentations, Mares













### Facephi focuses on organic growth

The Co now focuses on organic growth, aiming to expand its business through internal development and innovation rather than relying on external acquisitions or mergers. This approach allows the company to maintain a more controlled approach on its expansion, ensuring control over its financial resources. We also believe that an acquisition with a reduced cash impact would be harder to achieve as the Co' share price has dropped over the last few years: when Facephi acquired Ecercic in Jan 2019, the 164,706 shares paid were worth c.€840,000. They would be worth c.255,300€ as of today (-69.6% over the period). Hence, we believe this organic growth strategy is the right one to ensure a sound financial structure, reduce cash outflow and prevent further dilution as the Co currently seeks to generate positive FCF.

### Recent and structuring transactions in the sector

The sector has experienced significant M&A operations over the last 10 years, with recent (Onfido, Vision-Box) and major (Nuance Communications, Gemalto) deals.

Exhibit 85: Selected Transactions in the Sector

 <b>ENTRUST</b>  	<ul style="list-style-type: none"> <li>■ <b>Deal:</b> Entrust acquired Onfido for &gt;\$650m in Feb 2024</li> <li>■ <b>Rationale:</b> External growth, customer base acquisition, innovation and tech synergies</li> <li>■ <b>Figures:</b> Onfido's revenue at c.\$140m, c.500 FTEs, &gt;\$650m consideration (&gt;4.5x Revenue)</li> </ul>
  	<ul style="list-style-type: none"> <li>■ <b>Deal:</b> Amadeus acquired Vision-Box for €320m in Jan 2024</li> <li>■ <b>Rationale:</b> External growth, customer base acquisition, innovation and tech synergies</li> <li>■ <b>Figures:</b> Vision-Box's FY23 revenue at c.\$70m, FY23 EBITDA at €20m c.470 FTEs, €320m consideration (c.4.6x Revenue)</li> </ul>
  	<ul style="list-style-type: none"> <li>■ <b>Deal:</b> Microsoft acquired Nuance Communications for \$19.7bn in April 2021</li> <li>■ <b>Rationale:</b> Tech synergy, healthcare focus and market expansion</li> <li>■ <b>Figures:</b> Nuance's FY21 revenue at \$1.5bn, EBITDA at \$478m, \$19.7bn consideration (&gt;13x Revenue), +23% premium at \$56/share</li> </ul>
  	<ul style="list-style-type: none"> <li>■ <b>Deal:</b> Thales acquired Gemalto for €4.8bn in 2017 (closed in 2019)</li> <li>■ <b>Rationale:</b> Market expansion and enhance presence on the digital identity and security market</li> <li>■ <b>Figures:</b> Gemalto's FY16 revenue at €3.1bn, EBITDA at €440m, €4.8bn consideration (1.5x revenue, 10.9x EBITDA)</li> </ul>

Source: Company's Reports and Presentations, Marex

## Competitive Landscape

Facephi operates in a competitive but relatively fragmented biometric solutions market, with competitors ranging from SMEs to major international groups which have substantial financial resources and established products.







### Who are the major players on the market?

Facephi operates on a very competitive but relatively fragmented market with a broad range of companies operating on the biometric solutions market, ranging from small, specialised SMEs to major international conglomerates. These companies provide technologies like fingerprint recognition, facial recognition, iris scanning, and voice recognition.

For example, the Co has smaller competitors such as Precise Biometrics (c.€30m market cap, identification software provider that enables users to identify themselves by using their own biometrics). The Co also competes against non-listed midcap companies, such as Idemia, Veriff (both valued >€1bn), Jumio or Onfido (acquired by Entrust) for example which are serious competitors in the field.

Finally, Facephi also competes against major companies, such as Thales for instance (via Thales DIS, ex-Gemalto, acquired in 2019 for €4.8bn) or Zebra Technologies. These larger competitors are usually listed companies with global operations, addressing different markets. Although not focusing all their efforts on Facephi's specific markets, these companies remain solid competitors with substantial financial resources, established products, a broad client portfolio and robust R&D budgets which may give them an advantage in developing and marketing new products as well as leveraging economies of scale.

Exhibit 86: Facephi's Listed Competitors (Large Cap)

Company	Loc.	Company Description	Valuation (\$m)	Revenue (\$m)
 THALES		Thales is a major A&D group offering various biometric identification technologies, including facial and iris recognition, and serves sectors like defense, aviation, and banking (Thales DIS, ex-Gemalto acquired in 2019)	34,151	19,931
		NEC Corporation provides public solutions development, public infrastructures development, enterprise solutions development, system platforms development, network control platform systems management, cloud computing, and other services.	23,978	24,083
 ZEBRA		Zebra Technologies Corporation provides electronic products. The Company offers mobile computers, printers, barcode scanners, RFID, locating systems hardware, software, interactive kiosks, printing supplies, and accessories. Zebra Technologies serves clients worldwide.	18,986	4,584

Source: Source: FactSet, Bloomberg, Marex, Companies' Websites and PR, data as at 24/10/2024











## Exhibit 87: Facephi's Listed Competitors (Mid-Cap)

Company	Loc.	Company Description	Valuation (\$m)	Revenue (\$m)
 商汤 senseTime		SenseTime Group Inc. offers information technology services. The Company develops artificial intelligence software products, computer vision software products, and other products. SenseTime Group provides its services throughout China.	7,190	481
		GB Group PLC develops, sells, and supports identity verification, location intelligence, and fraud prevention software solutions. The Company provides technology-driven data, documents and biometrics analysis, and services that help businesses and organizations verify the identities of their customers, prevent fraud, and regulatory compliance. GB Group serves clients worldwide.	1,057	349
		Secunet Security Networks AG provides IT services. The Company offers security consulting, conception, development, and integration of software and hardware solutions. Secunet Security Networks serves customers in Germany.	748	426
		Egis Technology Inc. provides fingerprint biometrics and data encryption solutions. The Company specializes in integrated turnkey solutions with an emphasis on sensor performance and software usability.	555	123
		OneSpan Inc. provides software services. The Company designs and develops security software and e-signature solutions that protects devices and financial transactions from fraud and misuse. OneSpan delivers risk analytics, mobile security, and authentication services. OneSpan serves clients worldwide.	548	235
		Mitek Systems, Inc. is involved in character recognition technology, products, and services for the document imaging markets. The Company's document imaging software engine and intelligent character recognition products and services are used in mission-critical and high volume data entry, data capture, and forms processing applications.	411	173
		Next Biometrics Group AS provides biometric sensor devices specializing in fingerprint authentication. The Company's products are used in personal computer products, mobile devices, portable media products, and access control solutions.	76	3
 FINGERPRINTS		Fingerprint Cards AB has developed electronic systems that determine personal identity by analyzing fingertip patterns of individuals. The Company sells licensed components to companies that make integrated electronic user information products such as cellular phones, access cards, smart cards, and computer security products. Fingerprint markets the technology internationally.	44	67
		Aware, Inc. of Massachusetts provides software services to the biometrics industry. The Company's products are used in government and commercial biometrics systems which is used to determine and verify an individual's identity.	43	18
		Precise Biometrics AB is a security company that supplies systems for fingerprint and smart card-based authentication. The Company has developed solutions that replace keys, PIN codes, and passwords, and the product line include include smart ID cards and systems for access control to buildings, computers, and networks. Precise Biometrics markets worldwide.	27	7
		IDEX Biometrics ASA provides fingerprint identification solutions. The Company offers biometric fingerprint sensors and modules enrollment solutions which used in payments, identification, access control, and internet of things applications. IDEX Biometrics serves customers worldwide.	14	4
 BIO-key™		BIO-key International, Inc. develops and licenses biometric finger identification software products. The Company's capabilities prevent false identities through alias checks and hardware independence. BIO-key International serves original equipment manufacturers, value-added resellers, integrators, and application providers.	2	8

Source: Source: FactSet, Bloomberg, Marex, Companies' Websites and PR, data as at 24/10/2024



Exhibit 88: Facephi's Main Non-Listed Competitors

Company	Loc.	Company Description	Valuation	Revenue
		Veriff is an identity verification platform partner for companies in financial services, fintech, crypto, gaming, mobility, and online marketplaces. Main clients are Bolt, Deel, Lightyear, Monese, Monzo, Starship, Trustpilot, and Wise. The Co has c.300 FTEs in Estonia, Spain, UK and USA.	Post money valuation \$1.5bn (Tiger Global Management). Valuation probably lower now.	FY23 Revenue of €45.3m / Loss of €34.2m
		Idemia specialises in biometric and cryptographic technologies security and identity verification sectors. The company offers services/solutions worldwide including payment card issuance, digital payment, connectivity security, access control systems, public safety, and travel security enhancements. The Co has >15,000 FTEs.	c.€1bn	FY23 Revenue of €2.9bn / EBITDA of €630m
		Onfido was a Oxford university incubated startup founded in 2012 that grew to become a c.500FTEs Co with >1,200 customers worldwide. Onfido offers onboarding, fraud security and KYC solutions. The Co was acquired by Entrust (US-based) in 2024 for >\$500m.	\$500-650m	FY23 Revenue of £140m
		Provider of Automated Identity Verification, Risk Assessment and Compliance solutions. The Co has c.660 FTEs and clients include Uber, Monzo, HSBC or United.	Secured \$150m from Great Hill Partners in 2021	Est. FY23 Revenue of c.€100m
		IDnow provides an Identity Verification-as-a-Service (IVaaS) platform. The Co has 450 FTEs and >900 customers from various industries such as Bank of Scotland, BNP Paribas or Commerzbank as well as fintechs such as Fidor or N26.	Serie C Oct 2019 for \$40m, Corsair Capital. More than \$120m raised.	Est. FY23 Revenue of c.€50m

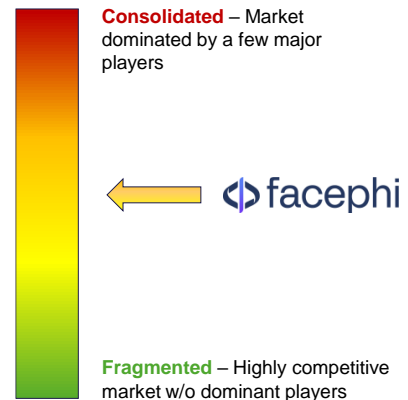
Source: Marex, Companies' Websites and PR, data as at 24/10/2024

Exhibit 89: Facephi's FY23 Revenue and Growth Rate vs Peers

Company	FY23 Revenue (EURm)	YoY change
Secnet Security..	393.7	↑ 13.4%
GB Group plc	319.9	↓ -0.5%
OneSpan	213.1	↑ 7.4%
Mitek Systems Inc	156.4	↑ 19.9%
Fingerprint Cards AB..	63.3	↓ -18.2%
Facephi	25.2	↑ 12.9%
Aware, Inc.	10.0	↓ -31.3%
BIO-key International, Inc.	8.2	↑ 29.6%
Precise Biometrics	6.7	↓ -17.5%
IDEX Biometrics ASA	4.1	↑ 1.1%
NEXT Biometrics Group..	3.1	↓ -28.8%

Source: FactSet, Marex

Exhibit 90: Competitive Intensity on Facephi's Market



Source: Marex

## Market & Industry

Facephi addresses the biometric market performing at GDP+, expected to reach \$86bn by 2028e from \$48bn in 2023 (+12.4% CAGR 2023-28e). This market is part of the broader cybersecurity market (\$186bn in 2023, +6.07% CAGR 2019-29e, est. 2023 TAM of \$2.5tn) as per Statista and McKinsey, which has strong market drivers (digitalisation, cyber threats, law and regulation) as cybersecurity is considered critical for companies and governments.

### Exponential needs in cybersecurity

The strategic cybersecurity market is growing steadily and is currently underpenetrated (c.10%). The broader cybersecurity market is supported by strong market drivers, leaving room for future growth and ensuring substantial spending over the next few years.

### What is the cybersecurity market?

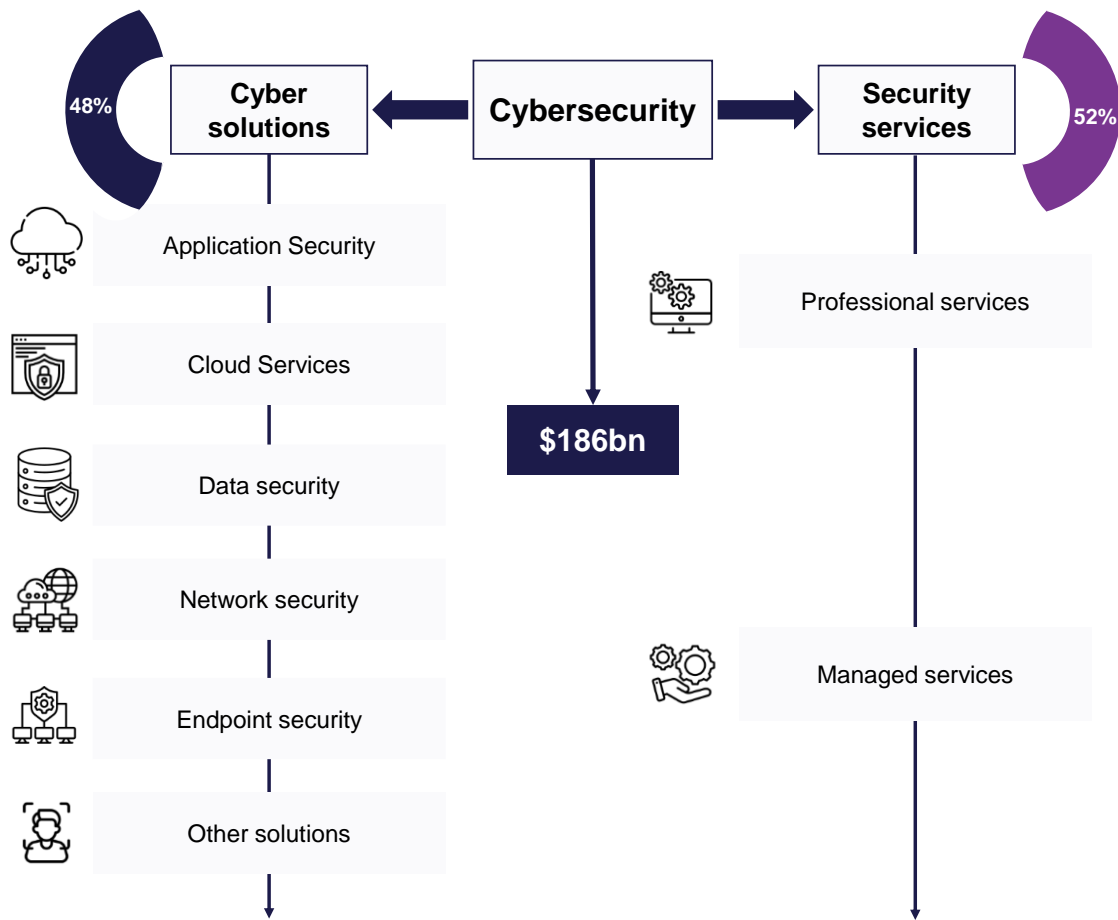
The global cybersecurity market is one of the most strategic markets for companies and encompasses technologies, processes, and practices designed to protect networks, devices, programs, and data from attack, damage, or unauthorised access (malware, phishing, man-in-the-middle, denial-of-service, password). Damages from cyberattacks are projected to reach approximately \$10.5tn annually by 2025, +300% vs 2015 levels as per Steve Morgan's 2022 Cybersecurity Almanac and \$10.3tn as per Statista. The market is rapidly expanding (+12% YoY) and it is estimated that businesses have spent >\$180bn on information security in 2023, corresponding to a market penetration rate of only c.10%.

It is now a strategic market due to the increase in frequency and complexity of cyberattacks, the proliferation of connected devices, and the rise of digitalisation in various sectors such as banking (Facephi's main positioning), healthcare, and government. This market is broad and is generally divided into several key segments as per below.

However, the cybersecurity market is generally split in 2 revenue streams with 1/ cyber solutions and 2/ security services.

- **Cyber solutions:** refer to a range of products or services designed for the cybersecurity requirements of organisations, tailored with their risk landscape and security strategies.
- **Security services:** refer to an overarching processing or a wide range of services that enhance an organisation's protection and security strategy against common cybercrimes, such as phishing, malware, or ransomware.

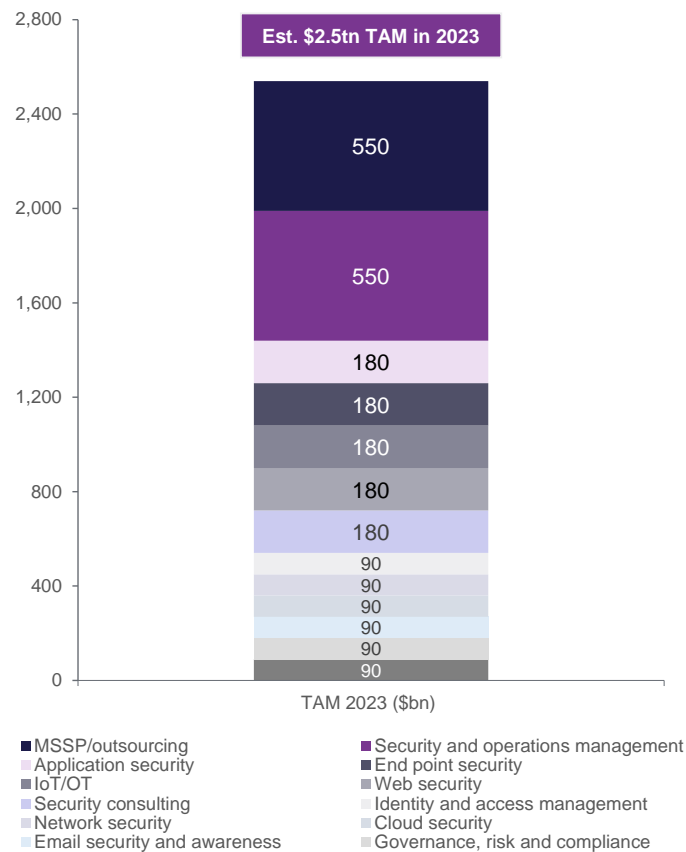
Exhibit 91: Global 2023 Cybersecurity Market Structure



Source: Statista 2024, Marex

This market and its subsegments is addressed and dominated by major US-based companies with substantial financial resources and established products such as Microsoft, Palo Alto Networks, McAfee, IBM, CrowdStrike or Broadcom among others. Smaller and more nimble companies are also present on the market, generally addressing subsegments of the market such as Facephi, currently focusing on facial recognition and biometric solutions for the financial services industry. Other companies are also addressing similar subsegments such as Idemia, Jumio, Onfido or Veriff for instance.

Exhibit 92: Global 2023 Cybersecurity TAM



Source: Marex, McKinsey Cyber Market Map 2022

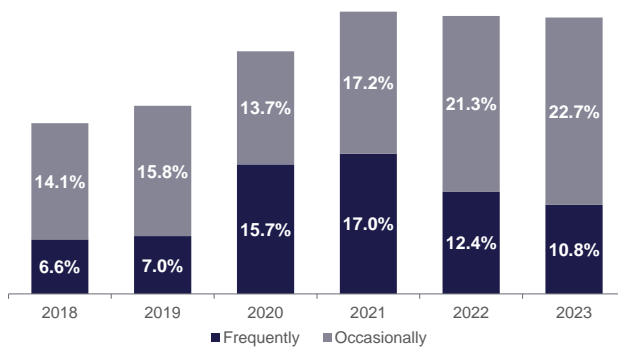
### The cybersecurity market has structurally strong pillars...

As the digital economy expands, so does digital crime and the strategic importance of cybersecurity. The increasing volume of online interactions is generating millions of opportunities for cyberattacks. Many of these incidents result in data breaches that pose significant threats to both individuals and businesses, increasing the need for cybersecurity. For instance, in the latest Deloitte UK CFO survey (released 11 Oct 2024), CFOs expect to raise spending on digital technology and assets, such as software, IT and AI, both over the next 12 months and on a 5y view. Hence, we have identified 3 main pillars currently driving the cybersecurity market:

- Digital transformation:** The demand for on-demand access to data and information platforms is increasing. Recent shifts towards mobile platforms and remote work necessitate high-speed access to substantial and available data sets. This reliance heightens the risk of data breaches, which can be particularly costly given the extensive customer data organisations now collect. According to a survey by OpenVPN, 73% of executives perceive remote workers as a greater security risk. This concern stresses the need for robust security protocols and employee education about safe digital practices in a remote work setting. To effectively store, manage, and protect this data, organisations require advanced technology platforms.

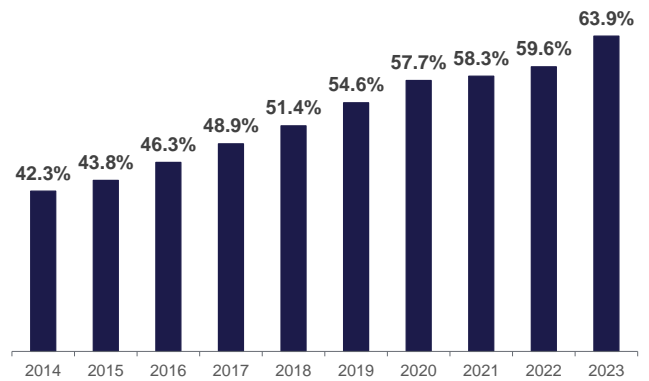
- Rising cyber threats:** Hackers can now use AI and other sophisticated technologies easily to launch more complex and efficient attacks. Cybercrime is a massive industry with organised hierarchies and substantial R&D budgets. Hackers using advanced tools such as AI, automation, and machine learning can significantly reduce the time it takes to execute an attack, from several weeks to just a few days. Traditional attack methods easier to deploy are still relevant, such as ransomware and phishing. For instance, in 2021 in the US, the FBI received a record number of cybercrime complaints and reported the highest total losses in history with c.850,000 complaints, amounting to more than \$6.9bn in losses.
- Law and regulation:** The evolving regulatory landscape and persistent gaps in resources, knowledge, and talent require companies to continually adapt their cybersecurity strategies. Many groups lack sufficient expertise in cybersecurity with regulators increasing their scrutiny of corporate cybersecurity practices in the meantime. The EU’s GDPR can levy fines of up to 4% of global turnover against companies that fail to protect their customers.

Exhibit 93: Remote Working Adoption, France 2018-23 (%)



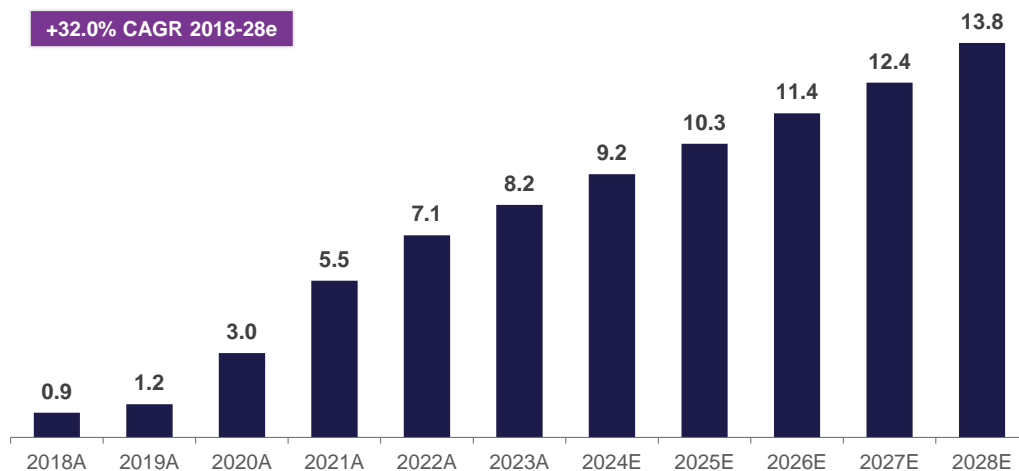
Source: Marex, Eurostat 2024

Exhibit 94: Individuals Using Internet Banking Services, EU 2014-23 (%)



Source: Marex, Eurostat 2024

Exhibit 95: Damage From Cyberattacks, 2018-28e (\$bn)



Source: Marex, Statista 2024

**Exhibit 96: Non-Compliance With EU's GDPR Can Have Material Impact**

## 1.2 billion euro fine for Facebook as a result of EDPB binding decision

22 May 2023 **EDPB**

Brussels, 22 May - Following the EDPB's **binding dispute resolution** decision of 13 April 2023, Meta Platforms Ireland Limited (Meta IE) was issued a 1.2 billion euro fine following an inquiry into its Facebook service, by the Irish Data Protection Authority (IE DPA). This fine, which is the largest GDPR fine ever, was imposed for Meta's transfers of personal data to the U.S. on the basis of standard contractual clauses (SCCs) since 16 July 2020. Furthermore, Meta has been ordered to bring its data transfers into compliance with the GDPR.

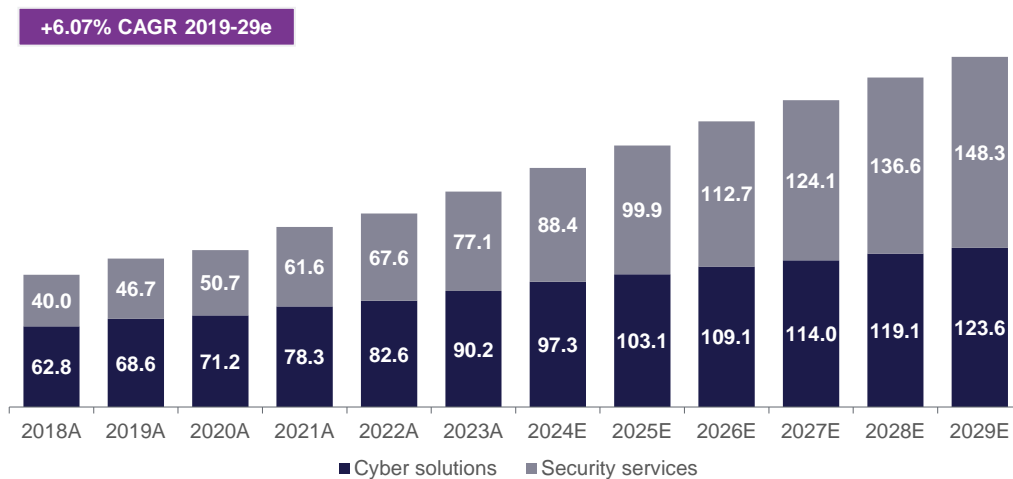


Source: European Data Protection Board

### ... driving cybersecurity spendings worldwide

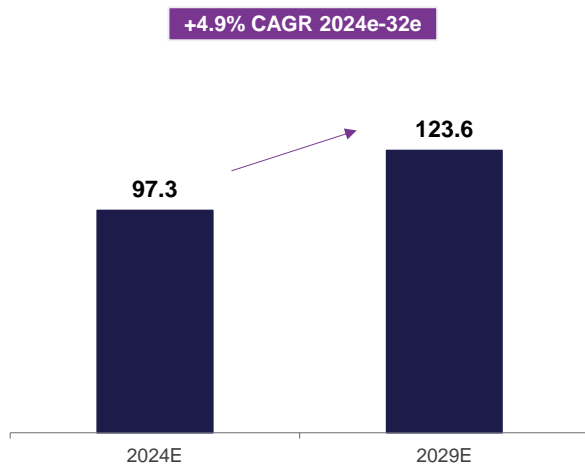
The global cybersecurity market has been growing steadily over the past few years and we believe this trend will continue. It went from c.\$102.7bn in 2018 to c.\$185.7bn in 2024e (+10.4% CAGR 2018-24e) and is set to reach c.\$272bn in 2029e (+6.56% CAGR 2024-29e). The cyber solutions segment to which Facephi partly belongs to is set to reach \$97.3bn in 2024e, +7.9% YoY and \$123.6bn by 2029e (+3.4% CAGR 2024-29e). As expected, most of the growth will come from the US for the next few years (c.43% of the market in 2029e) but Europe and Asia remain core regions with respectively +10.9% and +12.5% CAGR 2023-29e respectively, corresponding to 2029e market shares est. of c.14% for both. Hence, the market remains buoyant, and a steady growth is expected on Facephi' segments.

**Exhibit 96: Global Cybersecurity Market and Market Segments, 2018-28e (\$bn)**



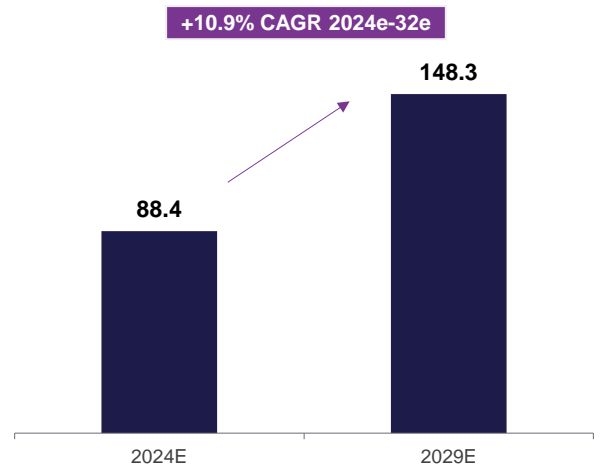
Source: Marex, Statista 2024

Exhibit 97: Cyber Solutions Market Size, 2024-29e (\$bn)



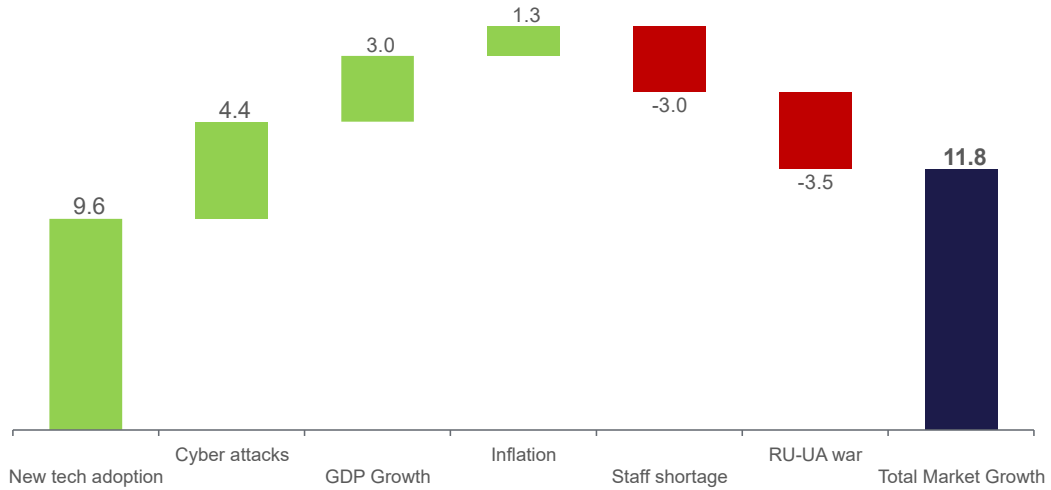
Source: Marex, Statista 2024

Exhibit 98: Security Services Market, 2024-29e (\$bn)



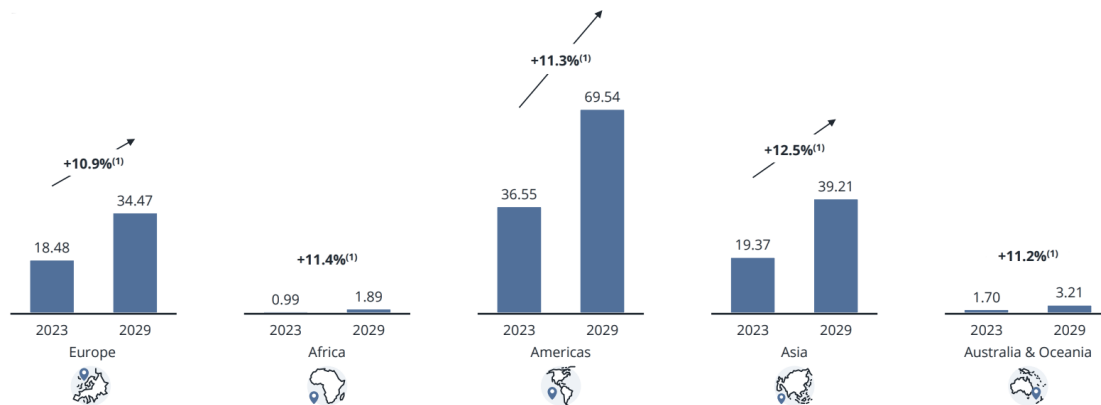
Source: Marex, Statista 2024

Exhibit 99: Market Driver for Revenue Change in 2023 (%)



Source: Marex, Statista 2024

Exhibit 100: Global Cybersecurity Market by Continent 2023-29e (\$bn)



Source: Statista 2024

## The Biometric Segment is Growing Even Faster

Facephi focuses on the biometric market (which stands at the crossroad of the cyber solution market and the global computer vision market), with a particular focus on the facial recognition subsegment. As per Biometrics Research Group, the global biometrics sector is estimated to grow to \$86bn by 2028e from \$48bn in 2023 (+12.4% CAGR 2023-28e). The Facial Recognition subsegment amounted to \$4.3bn in 2023, +10.2% YoY and an estimated +9.3% CAGR 2024-30e with strong market drivers (digitalisation and new technologies development) as per Statista.

### The biometric market

Biometric recognition refers to the automated recognition of people based on their biological or behavioural characteristics, with facial recognition being the best-known use of biometric recognition to identify someone. However, there are also other biometric solutions and approaches capable of identification (voices, iris, behavioural, etc).

Similarly to the broader cybersecurity market, digital transformation along with the development and democratisation of new technologies has driven the adoption of biometric solutions over the last few years. Investments in AI infrastructures also play a role and improve the accuracy and reliability of biometric systems, making them more effective and user-friendly, hence accelerating tech adoption.

As per Biometrics Research Group, the global biometrics sector is projected to reach \$86bn by 2028e (vs \$48bn in 2023, +12.4% CAGR 2023-28e).

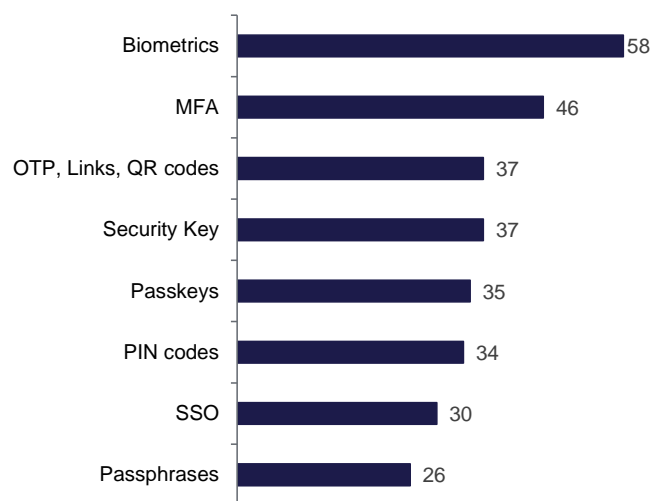
This market segment now encompasses a wide range of industries and everyday tasks, such as unlocking smartphones or securing bank transfers. Biometrics became in 2023 the most preferred method for security authentication to replace passwords to signing into online accounts, apps, and smart devices as per a survey carried out by Delinea. These technologies are particularly used by governments, financial services, airlines, the gaming industry and the healthcare industry to name a few. Within the financial services industry, biometric technology has been widely adopted to increase efficiency particularly in customer verification such as Know Your Customer (KYC) or accelerate processes for bank transfers.

Exhibit 101: Biometric Market Drivers



Source: Biometrics Research Group, Marex

Exhibit 102: Main Solutions to Replace Passwords in the USA, 2023 (%)



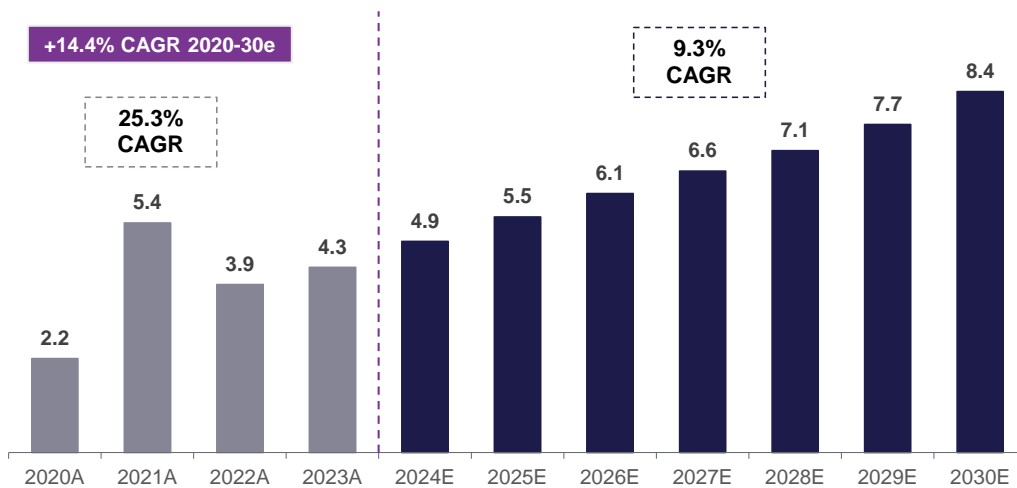
Source: Biometrics Research Group, Marex



### Facial recognition remains very dynamic

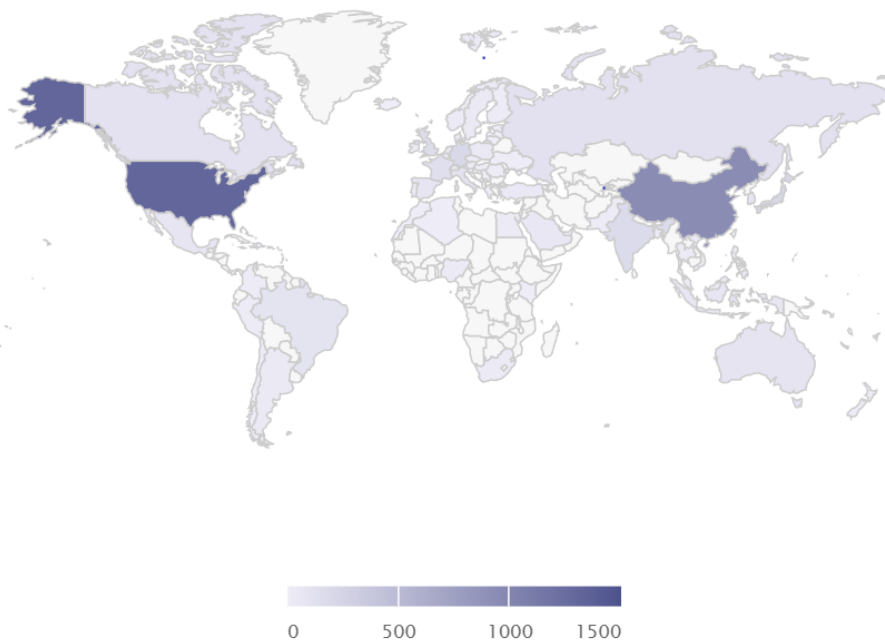
Facial recognition, a subsegment of the biometric market, is experiencing a surge in demand due to its wide range of applications (financial services, security, marketing, and healthcare among others). The facial recognition market size is projected to reach >\$4.9bn in 2024e and c.\$8.4bn in 2030e, set to grow at +9.3% CAGR 2024-30e (+14.4% CAGR 2020-30e). The largest market or 2024 is unsurprisingly the US (c.\$1.3bn), followed by China (\$943m), Japan (\$219m), Germany (\$211.2m) and India (\$175m) according to Statista (March 2024).

Exhibit 103: Facial Recognition Market, 2020-30e (\$bn)



Source: Maresx, Statista 2024

Exhibit 104: Global Cybersecurity Market by Geographies 2024e-28e (\$bn)



Source: Statista, Mar 2024

## Financials Projections

### Auditors and Accounting Standards

Facephi's financial statements have been audited by EY Spain since 1H23, which took over from Auren International, and is set to remain in place for 2024 and 2025. Facephi follows the Spanish GAAP standards and not the IFRS accounting standards for now. We note that the Co made an amendment to priorly communicated FY23 Revenue for when the FY23 financial statements were published. Facephi initially reported FY23 Revenue of €30m in Feb 2024 (earnings preview) before adjusting that to €25.2m on the 30<sup>th</sup> of Apr 2024 (a substantial -16% topline change). However, the Group has not made any restatement for changes of accounting criteria during FY23 neither rectified error from previous periods.

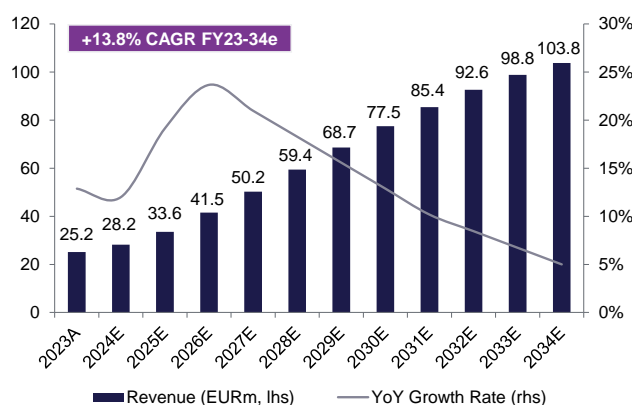
### A Top Line Set to Grow at +13.8% CAGR by FY34e

We have computed our forecasts using 1/ the Co's communicated guidance and current ARR for 2024 and 2025 (bottom-up approach), and 2/ a market-based analysis for the longer-term period (top-down approach). We also underline the fact that these forecasts only relate to the current operation and organic growth potential without considering the top-line impact of any potential M&A operations.

Facephi's top-line depends on the Co's ability to win new contracts and ensure a strong top-line basis with growing ARR. This could be achieved via 1/ market penetration in Latam (Co's historical business), 2/ geographic expansion (EMEA and APAC, via Hancom for the later) and 3/ product expansion (Integra, Behavioural, etc).

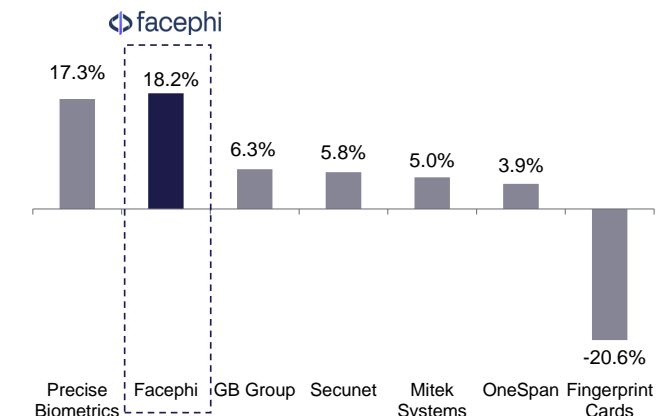
Facephi's 1H24 ARR now reach €27.4m (+25.7% YoY, €21.8m for FY23 and €12.7m for FY22). The current ARR can now be considered a revenue floor for Facephi. Hence, we are expecting FY24e Revenue of €28.2m, +12% YoY, which implies a 2H24 Revenue of €16.5m, +7% YoY, in line with past 2H seasonality at c.60%. We then expect FY25e Revenue of €33.6m, +19.2% YoY and FY26e Revenue of €41.5m, +23.7% YoY. We believe the Co's Revenue will reach €59.4m by FY28e with a +18.8% 5y CAGR 2023-28e (after experiencing a +41.2% CAGR 2018-23) and >€100m by 2034e as the Co pushes its commercial efforts and partnership strategy. We then assumed a 3% TGR past 2034.

Exhibit 105: Facephi's Revenue Evolution, 2023-34e



Source: Company, Marex

Exhibit 106: Facephi and Peers 2023-26e Revenue CAGR



Source: Company, FactSet, Marex

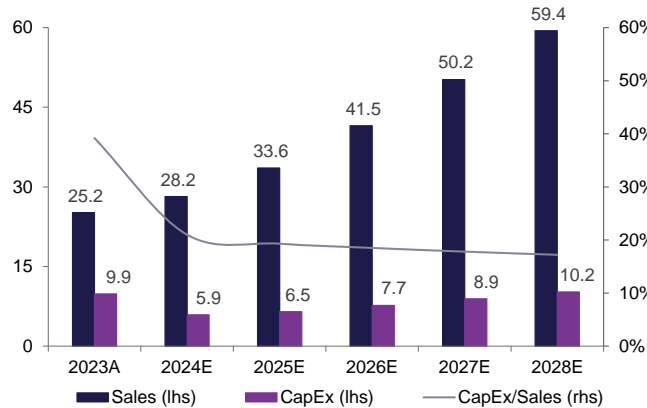
## Limited Capex, Costs, and a Structure Set to Remain Asset-light

As aforementioned, we believe that the asset-light business model is here to remain. As per discussion with management, the main Capex and recruitments are now behind and the Co can scale up its operations in Latam, APAC and EMEA without substantial investments or recruitments. The partnership' strategy followed by the Co also contributes to this asset-light structure as expansion costs is highly reduced (Hancor is the exclusive distributor of Facephi in APAC). These factors explain Facephi's B/S structure for the coming years, with mainly intangible within fixed assets, low PPE, Capex and related D&A.

Therefore, we expect Facephi's FY24e Capex to land at €5.9m vs €9.9m for FY23, and then grow at +14.6% CAGR 2024-28e as most investments are now achieved, with future Capex considered maintenance. Capex as a % of Revenue is set to head towards c.17% by FY28e and Capex/D&A to remain close to 1.0x. Logically, fixed assets expansion will remain limited with PPE as a % of intangible assets remaining at c.20% and fixed asset as a % of total assets remaining <50%.

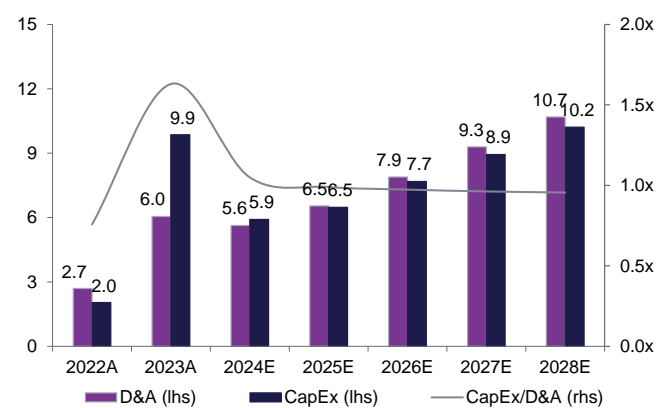
We also believe that the Co will be able to maintain its reduced costs structure over the next 5y. Also, as aforementioned, Facephi is based in Spain which is considered a reduced-costs country in Western Europe (2024 minimum wage of €1,134 vs €1,767 in France), providing the group with a natural hedge over competitors operating in higher costs countries. Hence, we forecast staff costs to reach €15.3m for FY24e (+12.8% YoY) and €19.4m for FY28e, +7.4% CAGR between FY23-28e. This growth is made of 1/ a FY23 cost per employee of c.€55.3k increasing by +4.2% CAGR FY23-28e as salaries progress by c.+4/5% YoY and 2/ an average number of employees increasing from 219 for FY23 to 255 by FY28e (1.16x FTEs vs 2.36x Revenue over FY23-28e). We also expect COGS + Opex (excl. D&A and staff costs) to increase by +10.5% CAGR between FY23-28e to reach c.mid-twenties as a % of Revenue.

Exhibit 107: Sales, Capex and Capex/Sales FY22-28E (EURm and %)



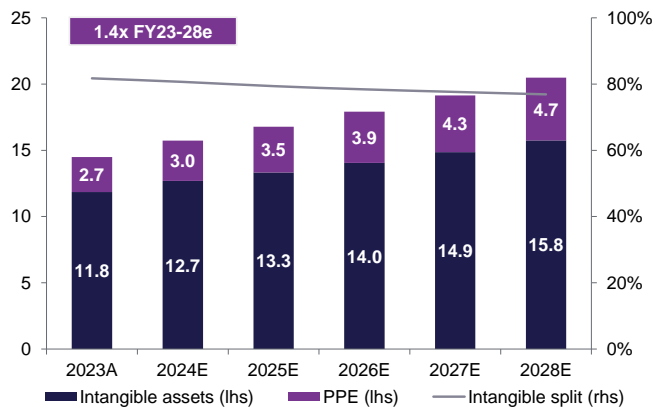
Source: Company's Reports and Presentations, Marex

Exhibit 108: D&A and Capex FY18-23 (EURm and x)



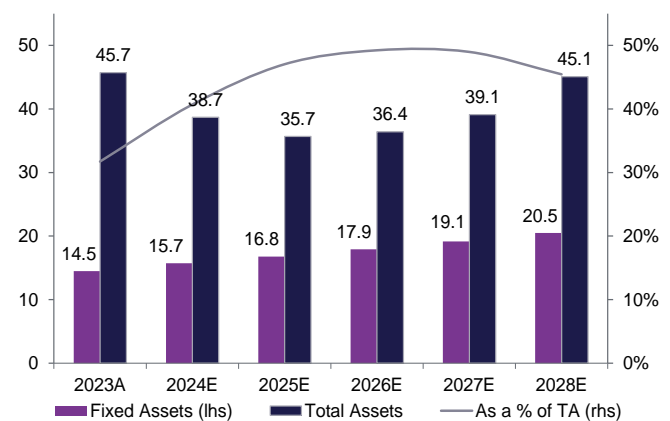
Source: Company's Reports and Presentations, Marex

Exhibit 109: Intangible/Tangible Assets Split FY23-28e (EURm, %)



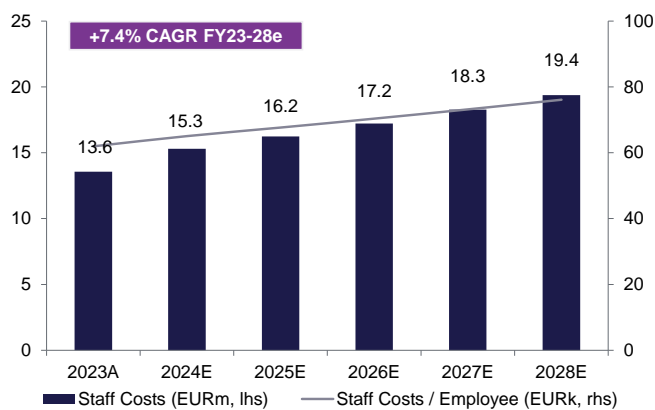
Source: Company's Reports and Presentations, Marex

Exhibit 110: Fixed Assets/Total Assets Comparison FY23-28e (EURm, %)



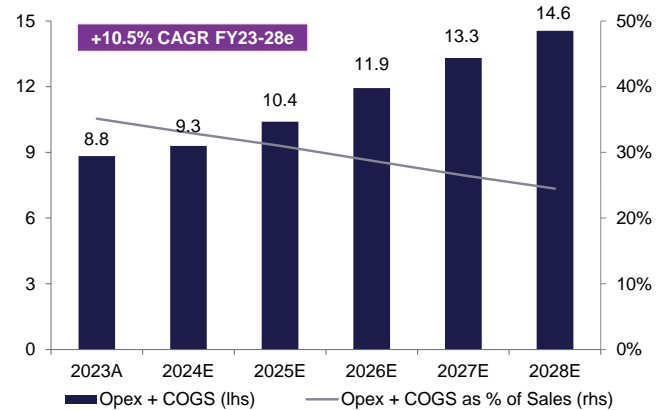
Source: Company's Reports and Presentations, Marex

Exhibit 111: Facephi's Staff Costs and Staff Cost per Employee FY23-28e



Source: Company's Reports and Presentations, Marex

Exhibit 112: Facephi's COGS and Opex (excl. D&amp;A and Staff Costs) FY22-28e

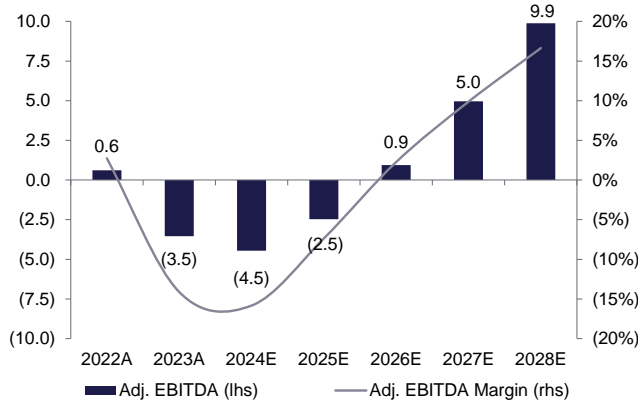


Source: Company's Reports and Presentations, Marex

### ...Ensuring More Profitability for the Years to Come

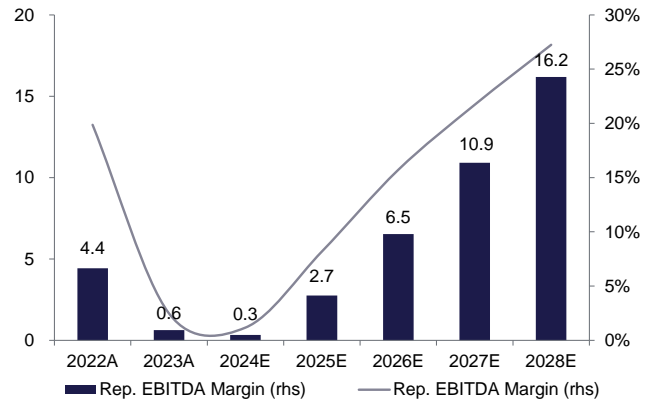
We believe Facephi's asset-light business model combined with its reduced-costs base and growing top-line will ensure profitability over the next 5y. Most Capex and major Opex are now achieved, and the Co is currently focusing on commercial execution. Facephi should be able to reach an Adj. EBITDA ("cash" EBITDA, adjusted from Capitalised R&D) margin of c.16.6% by FY28e, landing at c.28.1% in FY34e, in line with top performing peers. Capitalised R&D expected at €4.8m for FY24e and €5.2m for FY25e (vs €4.3m for FY23) as Capex expansion is now limited compared to prior years. Hence, we expect a FY24e Rep. EBITDA of €0.3m, -48.8% YoY, FY25e Rep. EBITDA of €2.7m (8.2% margin) and a FY28e Rep. EBITDA of €16.2m (27.2% margin). This should allow Facephi to generate positive net profits of c.€3.0m for FY28e (breakeven during FY27e) and a profit margin of 5.1%, landing at €15.0m by FY34e for a 14.4% profit margin. This profitability also materialises within the Co's RoA, RoCE and RoE, expected at -12.7%, -14.6%, and -37.5% for FY24e vs 6.7%, 20.6%, and 28.5% respectively for FY28e.

**Exhibit 113: Facephi's Adj. EBITDA, FY22-28e (EURm and %)**



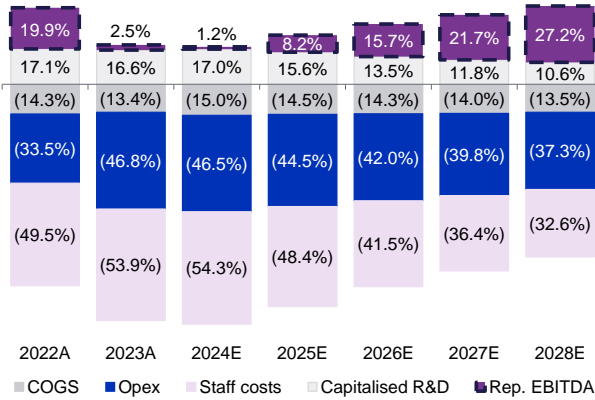
Source: Company's Reports and Presentations, Marex

**Exhibit 114: Facephi's Rep. EBITDA, FY22-28e (EURm, %)**



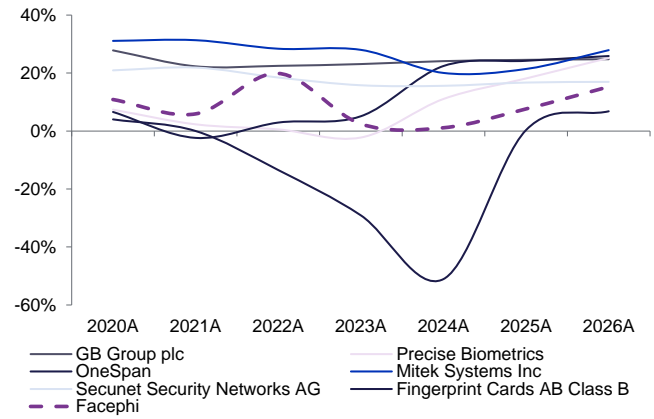
Source: Company's Reports and Presentations, Marex

**Exhibit 115: Facephi's Rep. EBITDA Margin Deconstruction**



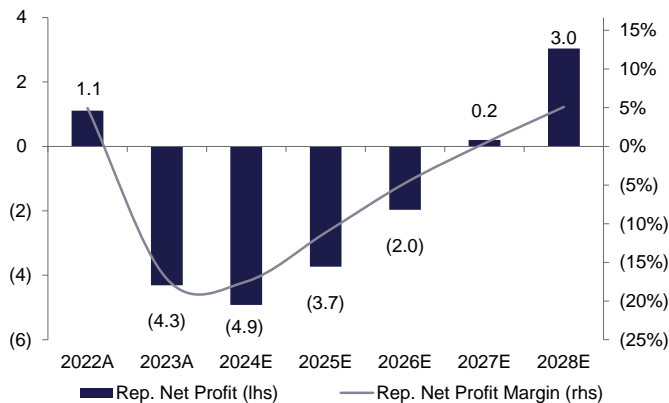
Source: Company's Reports and Presentations, Marex

**Exhibit 116: Facephi's Adj. EBITDA Margin vs Peers FY20-26e**



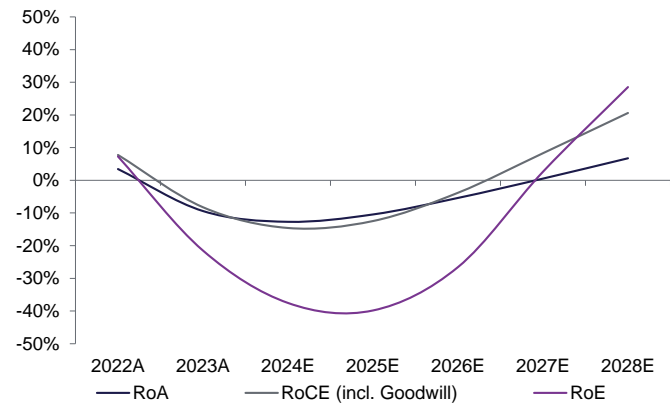
Source: Company's Reports and Presentations, Marex

**Exhibit 117: Facephi's NI, FY22-28e (EURm and %)**



Source: Company's Reports and Presentations, Marex

**Exhibit 118: Facephi's ROA, ROCE and ROE FY22-28e**

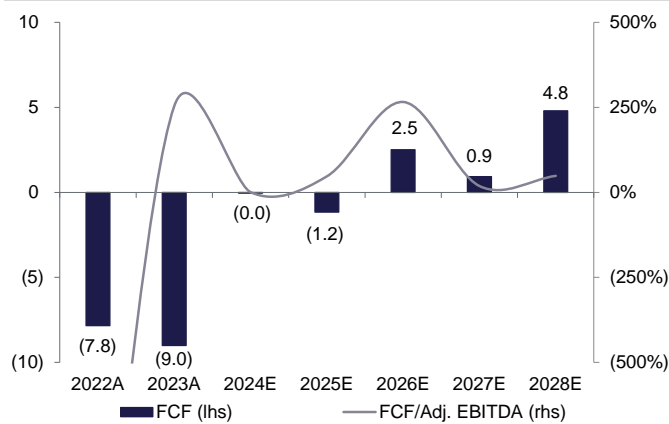


Source: Company's Reports and Presentations, Marex

### FCFF is Set to Improve Significantly

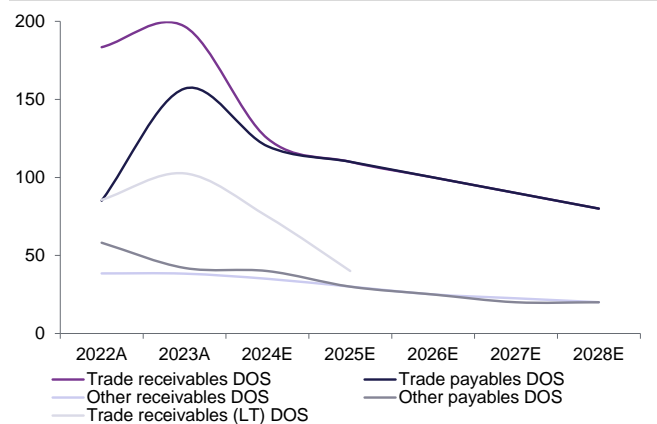
Facephi's FCFF generation will breakeven over the next 5y due to: 1/ a stabilisation of WCR which is expected to reduce CFO volatility as Trade receivables stabilise at 75 DSO and Trade payables at 60 DSO (net CFO at €0.9m for FY23, €5.9m expected for FY24e and >€15m for FY28e), 2/ a substantial growth in Adj. EBITDA, reaching €9.7m in FY28e vs -€3.5m for FY23 (Rep. EBITDA of €0.6m and €16m respectively for FY23 and FY28e), with Adj. EBITDA margin at 16.6% in 2028, /3 a cash conversion on EBITDA expected to breakeven from FY26e onwards and 4/ an asset-light business model with low Capex as aforementioned. The payment of a dividend is not on the agenda yet given the Co' scaleup status. These elements should allow the Co to maintain a steady closing cash position for the following years.

Exhibit 119: FCF Generation and Conversion FY22-28e (EURm, %)



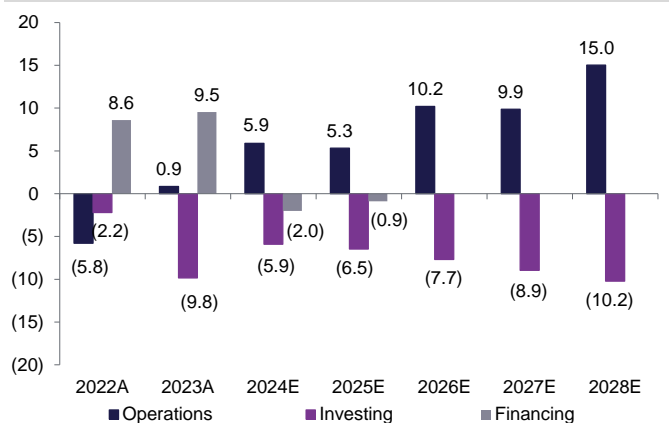
Source: Company's Reports and Presentations, Marex

Exhibit 120: Working Capital Components FY22-28e (DOS)



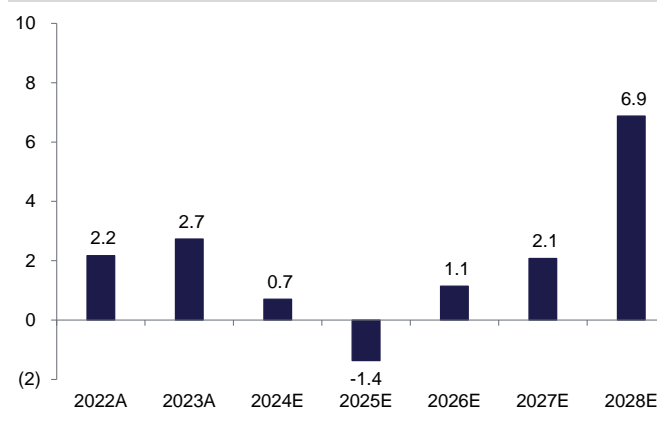
Source: Company's Reports and Presentations, Marex

Exhibit 121: Use of Cash FY22-28e (EURm)



Source: Company's Reports and Presentations, Marex

Exhibit 122: Cash Position FY22-28e (EURm)

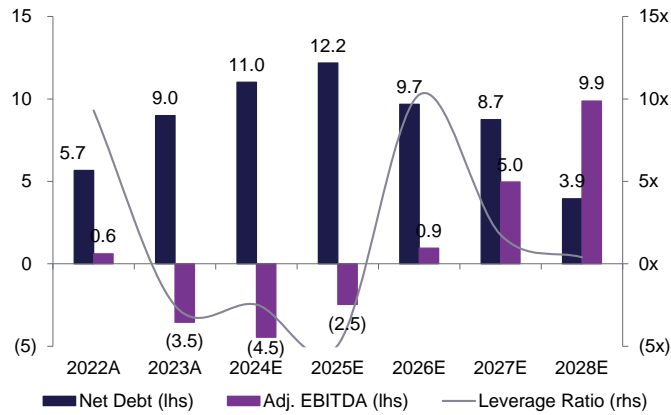


Source: Company's Reports and Presentations, Marex

### Financial Structure

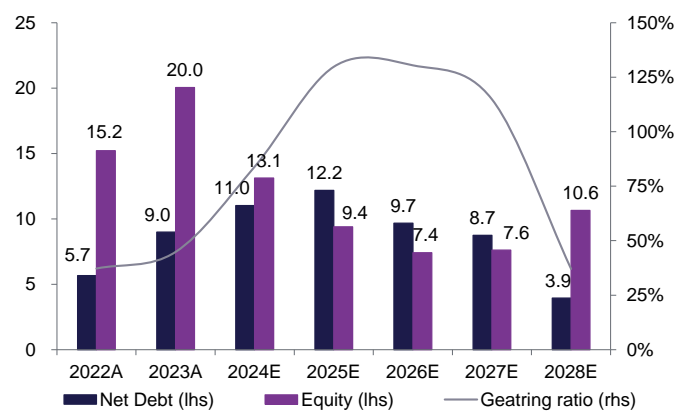
Facephi is currently backed by its main investor N&G and now Hancom, its main partner, which reassures us on the going concern status of the company. In our take Facephi's credit risk profile will lower upon successful commercial execution as it generates cash EBITDA (Adj. EBITDA) and reduces its leverage and gearing ratio over the next 5y as it becomes profitable.

Exhibit 123: Facephi's Leverage FY22-28e (EURm, x)



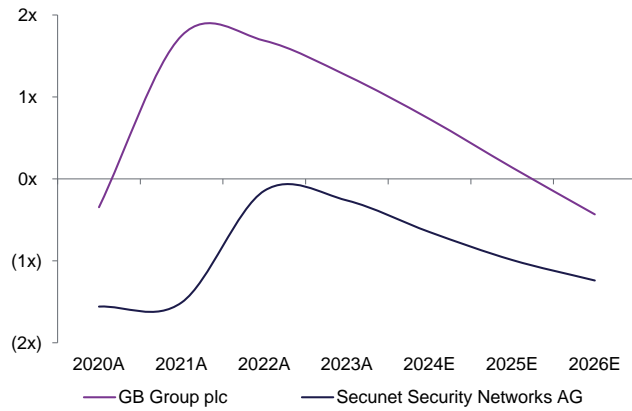
Source: Company's Reports and Presentations, Maresx

Exhibit 124: Facephi's Gearing Ratio FY22-28e (EURm, %)



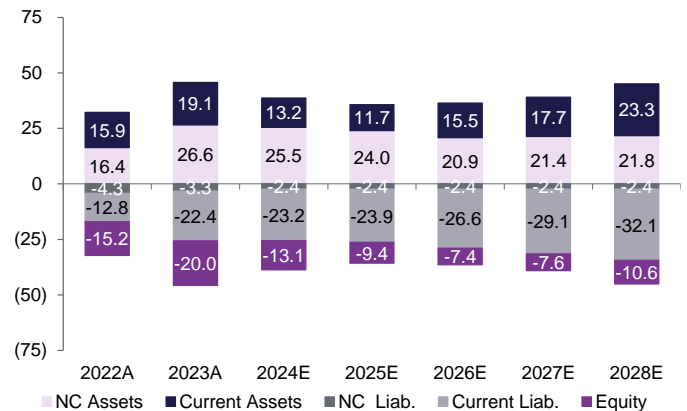
Source: Company's Reports and Presentations, Maresx

Exhibit 125: Peer Group's Fwd Leverage Ratio



Source: Company's Reports and Presentations, Maresx

Exhibit 126: B/S Structure FY22-28e (EURm)



Source: Company's Reports and Presentations, Maresx

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Valuation Method	Explanation
DCF method	Discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined by the weighted average cost of the company's debt and the theoretical cost of equity as estimated by the analyst
Trading multiples method	Application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and be applied to the company's financial aggregates to determine their valuation. The sample is prepared by the analyst based on the company's characteristics (size, growth, profitability etc.). The analyst may also apply a premium/discount based on his perception of the company's specificities
Net asset-based method (NAV)	Estimation of the value of the equity based on the revalued assets and corrected for the value of the liability
Discounted dividend method (DDM)	Discounted future value of estimated dividend flows and share buybacks. The discount rate applied is generally the cost of equity
Sum of the parts	This method consists of estimating a company's different operations by using the most appropriate valuation method for each one, then calculating the sum
Return on Capital Employed (ROCE)	Measures the efficiency of a company at deploying capital to generate profits. In practice, the ROCE is a method to ensure the strategic capital allocation by the management team of a company is supported by sufficient returns. The formula for computing ROCE is as follows: Numerator: NOPAT (EBIT + Interest Income)*(1-Tax Rate)+Goodwill Amortization Denominator: Total Assets – Current Liabilities – Cash + ST Debt + Current Leases Liabilities + Accumulated Goodwill Amortization The EV Calculation is computed as follows: (ROCE/(WACC-g))*Capital Employed
Cash Return on Capital Invested (CROCI)	Returns based analysis that measures the excess value created by a company calculated as cash return on cash invested. The formula for computing CROCI is as follows: Numerator: Debt Adjusted Cash Flow (DACF) calculated as Operating cash flow (ignoring Working Capital) plus after-tax interest and lease expense. Non-cash items and the company's financial structure have no impact, making comparisons more meaningful. Denominator: Gross Cash Invested (GCI) calculated as Gross Assets plus Operating working capital plus capitalized leases plus investments. Figures assumed are pre-depreciation and write-off value of tangible and intangible assets. Depreciation policies do not impact this figure. The EV Calculation is computed as follows: (CROCI/WACC)*GCI

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Hold	2	40%	Hold	0	0%
Sell	1	20%	Sell	0	0%
Under Review	0	0%	Under Review	0	0%

Sponsored Research					
Coverage Universe	Count	Percent	Corporate Finance Relationships	Count	Percent
Buy	0	0%	Buy	0	0%
Hold	0	0%	Hold	0	0%
Sell	0	0%	Sell	0	0%
Under Review	0	0%	Under Review	0	0%

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