

Substrate AI

BUY

Strong 2024 numbers and better AI-powered prospects

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Substrate AI released better than expected 2024 preliminary Sales and EBITDA figures of €24 million (vs €13.9 million) and €5.0 million (vs -€3.7 million), respectively.

We also value positively the announcement (January 10th, 2025) of their agreement to install a €100 million Nvidia-powered DataCenter in Talavera.

Their main MedTech (4D Medica) and HRTech (Fleebe AI) verticals are performing ahead of expectations and are bringing these strong levels of growth.

4D Medica and Fleebe AI, the two largest companies in the Substrate AI portfolio, have an estimated target valuation of **€38 million** combined. Both companies have introduced AI-related products and services as their flagship offerings.

We have placed a 2025e EV/Sales target multiple of 4.8x for 4D Medica and 3.0x for Fleebe, for our sum of the parts valuation.

The remaining areas of value lay on the AI divisions (est. **€37 million** target valuation), together with the Agritech, Fintech, and Energy verticals (est. **€6 million**), bringing the valuation potential to just over **€80 million**.

We maintain our BUY recommendation and maintain the share-price price target of €0,60. We continue to be positive on the power of AI on Substrate AI's verticals and their Datacenter potential.

Equities

BME Growth

Price (4pm 14/03/25): Ord. €0.10

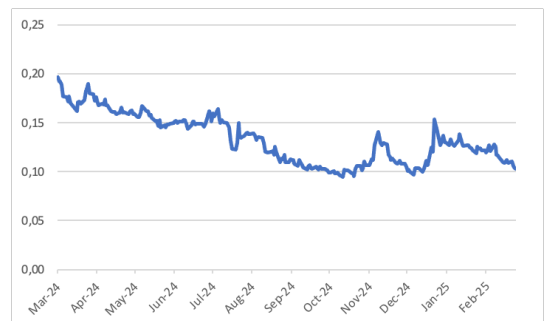
Ticker: SAI.MC

Target Price (12-18 m): €0.60

Trading data

52-Wk range (€):	0.20 - 0,09
Mkt. Cap. FD (€ millions):	13,1
No. Ord. Shares (millions):	131.1
Avg. daily Vol. (€12m):	112K
Daily volatility (avg. LTM):	3,2%

Price Chart (last 12 months)



(€ millions)	2024e	2025e	2026e
Turnover	24,3	30,1	39,1
Ebitda	5,0	6,3	8,2
Net Profit	1,4	1,8	2,0
EPS (cents)	1,07	1,38	1,49
EV/Sales (x)	0,6	0,5	0,4
EV/Ebitda (x)	3,0	2,4	1,8
P/E (x)	9,4	7,3	6,7

Weaknesses	Threats
Exposed to inorganic growth with the risks that it entails. Substrate AI partly depends on the stock market and credit markets to obtain the financial resources it needs.	The presence of large, well-established, and well-capitalized companies may present a competitive threat in each of the markets where they operate, including AI
Geographical concentration, most of its sales are in Spain and now partly in Latin America following the Binit group acquisition	Future capital increases to finance inorganic growth, which may dilute the current shareholder.
Whereas we expect accounting profits in 2024, the results are still reliant on the capitalization of R&D expenses. The group may require of capital increases to fund their operations and acquisitions.	Artificial Intelligence is a hot topic the world over and competition for talent remains strong, which may place smaller companies at a disadvantage.
Strengths	Opportunities
Their core asset is a proprietary Biology-Inspired next generation AI technology, developed by one of the founders and CTO, Bren Worth, alongside the Rensselaer Polytechnic Institute in NY.	Substrate AI, through its Subsidiary SubGen AI, has developed Serenity Star (AlaaS) and Metacontrol, two LLM based Software products with excellent potential.
A diversified portfolio of companies organized into six different verticals, reducing their exposure to a particular sector the economy.	Expected strong sales growth rate of 25% and 30% in 2025 and 2026.
Its smaller size gives it the agility to move more quickly in the commercial field and in the execution of projects.	Value creation through inorganic growth. By acquiring companies that can benefit from AI, Substrate AI stands to create critical mass.
A strong management team with a track record for creating value for shareholders.	Spain is emerging as a country with a high degree of digital talent, where Substrate AI is perfectly positioned in the short, medium and long term.
Access to capital through a €20 million committed line of convertible bonds, of which 35% has already been used.	Possibility of being acquired. Artificial Intelligence is on the rise and larger companies are looking to acquire talent and market share.

Bringing AI into the fold of Substrate AI's acquired subsidiaries.

In this update, we describe how the business model and management objectives of both 4D Medica and Fleebe AI have changed following the acquisition by Substrate AI:

1. 4D Medica: driving AI into the medical and veterinary markets

Founded by its CEO, Francesc Xavier Ramos in 2011, 4D Médica was primarily a medical device distribution company, specialized in the production and commercialization of diagnostic imaging equipment (radiology, MRI and computed tomography) for the human and veterinary market in Spain. In 2023, 4D Medica acquired Equipos Hospitalarios, a company that also sold third-party medical imaging equipment and had a consolidated customer base throughout Spain.

Following the acquisitions, management objectives have been transformed to bring Artificial Intelligence into the business model with hospitals and veterinary clinics in mind.

The new revenue model is structured around delivering AI powered healthcare-related professional services and product sales: from the sale of software to medical equipment, diagnostic tests and analysis, maintenance contracts of medical equipment, training courses for healthcare professionals and maintenance engineers, advisory services in hospital management, and technology licenses or intellectual property developed by the company.

The Artificial Intelligence value add is brought about in 5 key areas:

- A. **Diagnostics using AI:** Built a database with over 90 million images (CT, X-ray, MRI, ultrasound, etc.) derived from more than 200 collaborating hospitals, for doctors to provide a more accurate diagnosis using AI. A self-diagnostic SaaS service is also offered.
- B. **Patient and clinician safety:** The AI helps to further reduce exposure to radiation coming from diagnostic equipment and improves the quality of the overall patient treatment.
- C. **Compliance and regulatory standards:** AI-driven automation to streamline paperwork and ensure compliance with policies and

regulations for employees and patients that often hinder effective treatment.

- D. **Hospital/Clinics management:** Financial management of patient flow powered by IA to optimize the use of resources for physicians and clinics alike. The AI power Software deals with billing, inventory, project management, fleet maintenance, equipment maintenance, employee management, and patient management.
- E. **Predictive maintenance:** A predictive maintenance service with AI that allows 4D Médica to be more price-competitive in maintenance service fees relative to competitors.

At present, 4D Medica has more than 1,500 clients and exclusive partnerships with leading companies in the medical imaging industry, including Samsung, DRGEM, CFD, Vieworks and 3DISC.

2. Fleebe AI: helping the HR ecosystem with SaaS AI offerings

The development Fleebe AI, the HR Tech vertical, has been done in two parallel corporate moves, one organic under the umbrella of Substrate AI and another by acquiring Yamro Holding:

Organic: Under Substrate AI, several Artificial Intelligence-based software tools, known as Fleebe Corporate, have been developed internally. These tools have become the building blocks of the SaaS offering related to helping businesses empower, retain, and acquire the right talent for their organizations. In addition, a time-monitoring software tool (now required by law in Spain and other countries) has been developed as well. At present, these services are marketed under the Fleebe Corporate brand (www.fleebecorporate.ai)

Inorganic: In August 2023, Yamro Holding Ltd. of the UK was acquired. The acquisition price was set at US\$4.6 million and paid in full with Substrate AI shares, in a combination of A and B shares, through a capital increase. The acquired business is focused on talent recruitment for large corporates and will continue to focus on this market. It has a presence in the UK, USA, Mexico, Costa Rica, and Spain under the commercial brand name of IFIT Solutions.

Following the Yamro acquisition, its management team, led by Yann Roche (CEO), leads all operations related to Fleebe AI. Yann Roche, is a career entrepreneur and a visionary of the future of remote work and cross-border hirings in the IT sector. Last year, in 2023, he merged IFIT Solutions with Fleebe AI to introduce the potential of Artificial Intelligence in the HR Tech space.

A. Fleebe Corporate: AI solutions:

It is now generally accepted that Artificial Intelligence has a role to play in the Talent Management space in Retention Strategies, Recruitment, Employee Engagement, Performance Management, and Training and Development.

To fill the need, **Fleebe Corporate has developed several AI-powered Software tools to service corporate needs for talent retention** and acquisition, as well as other useful software tools in the HR ecosystem, such as an employee time-tracking tool.

The Corporate Fleebe AI solutions are designed to grow organically over time within organizations by absorbing increasing amounts of personnel data. The company expects that AI will be able to fill the knowledge gap that often exists in large human organizations about the depth of talent within.

B. IFIT Solutions: Headhunting

This division offers various services, from recruitment consultancy to standard headhunting, specializing in IT, Finance, HR, and Digital Technology. This activity relies on a handful of primarily large US/European corporations that choose to work with IFIT for their specialization in near-shore outsourcing solutions in the IT space.

Increasingly, large corporations are choosing to diversify away from India, a traditional source of IT-subcontracted work. If the corporation is based in Europe, it may go to IFIT Solutions to look for talent in Eastern and Southern Europe. If based in the US, the work will likely go to Mexico and elsewhere in Latin America.

IFIT Solutions focuses on three distinct services within the recruitment activity: Contracting, Permanent recruitment and Recruitment projects. Their

small but valuable client base is also providing an opportunity to cross-sell the new software services being developed by Fleebe Corporate.

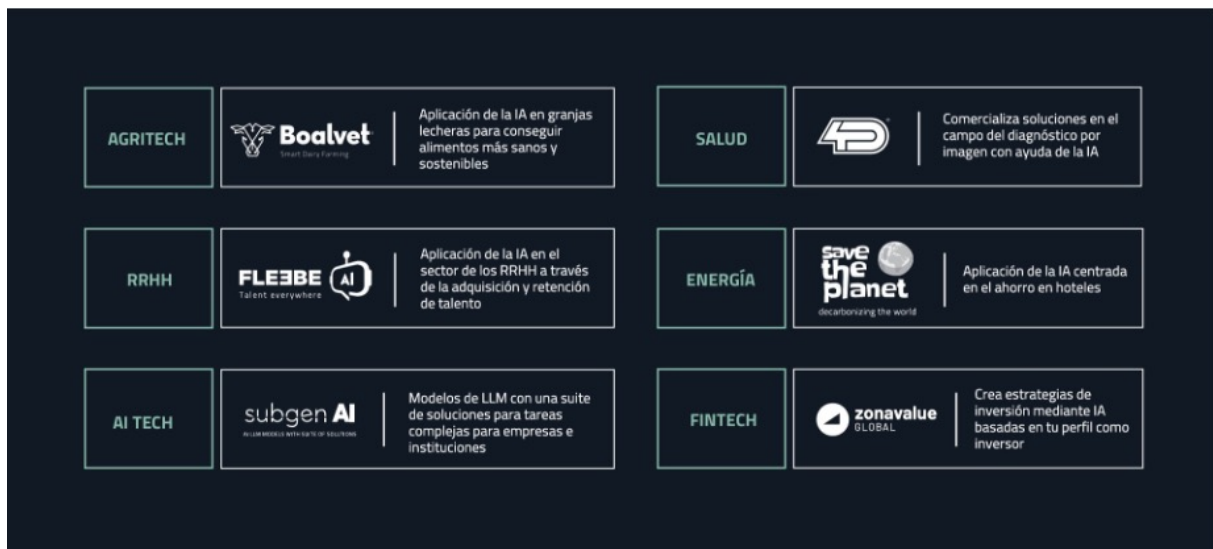
C. New Product launches: Employee time tracking tool

Time tracking of employees is quickly becoming a legal requirement in many jurisdictions, including Spain. Companies have to set up a system for the daily recording of employees' clock-in and clock-out times for their work shifts.

It has been mandatory in Spain since May 2019 for all companies, regardless of size and sector, and for all employees.

To comply with the law, companies must record each employee's shift individually and daily, record the exact time of arrival and departure, and keep those records for at least four years. The law requires companies to always make these records available to the respective employees, their Union, and the Labour Inspectorate. All records must comply with all the regulations on maximum working time, breaks, and working conditions.

Sum of the parts valuation.



We perform a sum of the parts valuation in our research reports, using a discount rate of 14% to reflect the Venture Capital nature of their investments.

For our Subgen AI valuation, we take into account the recent dividend in shares of Subgen AI awarded to Substrate AI shareholders. At present, all of the non-Spanish AI operations are being or have been transferred to the UK-domiciled Subgen AI.

We have increased the valuation of the combined AI operations to €37 million (vs €22 million) on the back of the expected value creation from the announcement of the Castilla-LaMancha government-backed data center. Although some work is yet to be done to close the transaction, we believe this announcement could be transformational for the value of the group.

In this update note, we have reviewed and analyzed the value potential of their two main industry verticals, Health and HR, to re-affirm our target valuations of €20.8 million (€30 million for 100%) and €17.7 million, respectively. Bolavet, the Agritech subsidiary, has had a slow year in 2024, and we have adjusted its valuation down. The remaining Fin Tech and, especially, the Ener Tech verticals have mainly optionality value for the group at the present moment.

		EV/ Sales			Target est.
		2024e	2025e	2026e	valuation
		(x)	(x)	(x)	(€ millions)
SaaS AI	Subgen AI				37,0
Med Tech	4D Medica (70%)	5,8	4,8	4,0	20,8
HR Tech	Fleebe AI	3,4	3,0	2,4	17,7
Agri Tech	Boalvet	8,6	5,7	3,3	3,6
Fin Tech	Zona Value	3,3	2,8	2,3	1,7
Ener Tech	Save the Planet	n.m.	5,1	2,6	0,5
EV					81,4
Equity Value					78,9
Per share					€ 0,60

		EV/ Sales			Current inferred
		2024e	2025e	2026e	valuations
		(x)	(x)	(x)	(€ millions)
SaaS AI	Subgen AI				6,1
Med Tech	4D Medica (70%)	1,0	0,8	0,7	3,5
HR Tech	Fleebe AI	0,8	0,7	0,6	2,9
Agri Tech	Boalvet	2,0	1,4	0,8	0,6
Fin Tech	Zona Value	0,8	0,7	0,5	0,3
Ener Tech	Save the Planet	n.m.	1,0	0,5	0,1
EV					13,5
Equity Value					11,5
Per share					€ 0,10

Source: Checkpoint Partners. All numbers, projections, and estimates have been prepared with Checkpoint Partners' own assumptions.

Checkpoint recommendation System

The Checkpoint Recommendation System is based on absolute returns, measured by the upside potential (including dividends and capital reimbursement) over a 12-month time horizon. Checkpoint recommendations (or ratings) for each stock comprises 3 categories: Buy (B), Neutral (N) and Sell (S).

Buy: the stock is expected to generate total return of over 15% during the next 12 months time horizon

Neutral: the stock is expected to generate total return of -15% to +15% during the next 12 months time

Sell: the stock is expected to generate total return under -15% during the next 12 months time horizon.

History of Checkpoint recommendations (last 12 months)

Date	Stock	Recommen.	Price (€)	Target P.(€)	Period	Analyst
11.11.2021	LLN	BUY	4.38	9.00	12m	Guillermo Serrano
22.02.2022	LLN	BUY	3.24	9.00	12m	Guillermo Serrano
04.05.2022	LLN	BUY	4.06	9.00	12m	Guillermo Serrano
11.08.2022	LLN	BUY	2.50	7.50	12m	Guillermo Serrano
25.10.2022	LLN	BUY	1.84	6.00	12m	Guillermo Serrano
23.11.2022	SAI	BUY	0.22	1.35	12m	Guillermo Serrano
24.01.2023	SAI	BUY	0.34	1.35	12m	Guillermo Serrano
09.03.2023	LLN	BUY	2.27	5.00	12m	Guillermo Serrano
10.05.2023	LLN	BUY	1.64	5.00	12m	Guillermo Serrano
05.09.2023	LLN	BUY	1.15	3.00	12m	Guillermo Serrano
20.11.2023	SAI	BUY	0.20	1.00	12m	Guillermo Serrano
12.12.2023	LLN	BUY	0.80	3.00	12m	Guillermo Serrano
06.05.2024	LLN	BUY	1.10	3.00	12m	Guillermo Serrano
27.05.2024	LLN	BUY	1.32	3.00	12m	Guillermo Serrano
28.05.2024	SAI	BUY	0.16	1.00	12m	Guillermo Serrano
19.09.2024	SAI	BUY	0.11	0.60	12m	Guillermo Serrano
30.10.2024	LLN	BUY	1.10	3.00	12m	Guillermo Serrano
05.02.2025	LLN	BUY	1.33	3.00	12m	Guillermo Serrano
17.03.2025	SAI	BUY	0.10	0.60	12m	Guillermo Serrano

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Frequency of analyst reports: at present Checkpoint has committed to a quarterly update of Substrate AI financial and operational performance.

Investment horizon: our reports focus mainly on small capitalization and illiquid stocks where standard Venture Capital investment criteria should apply. An investment into a small market capitalization stock should be done on a 3-5 year time horizon in order to realized the full potential of the investment opportunity.

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