

FacePhi (FACE) is a small Spanish tech company (Market Cap: EUR 75Mn), based in Alicante and created in 2012, specialising in the development and marketing of biometric software for facial recognition, with a strong focus on the financial sector (mainly in Latam: c. 90% of revenue). It has been listed on the Mercado Alternativo Bursátil (MAB) since 2014.

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Market Data

Market Cap (Mn EUR and USD)	75.2	81.1
EV (Mn EUR and USD) ⁽¹⁾	77.3	83.4
Shares Outstanding (Mn)	13.6	
-12m (Max/Med/Min EUR)	8.98 / 3.01 / 1.60	
Daily Avg volume (-12m Mn EUR)	0.58	
Rotation ⁽²⁾	198.1	
Thomson Reuters / Bloomberg	FACE.MC / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Salvador Martí Varó	9.3
Juan Alfonso	9.0
Javier Mira Miró	8.1
Nice & Green	4.7
Free Float	67.9

Financials (Mn EUR)

	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	13.3	13.9	13.9	13.9
Total Revenues	8.2	9.3	10.4	11.6
Rec. EBITDA ⁽³⁾	1.7	2.7	3.2	3.6
% growth	923.7	56.0	17.7	15.5
% Rec. EBITDA/Rev.	21.0	28.8	30.2	31.4
% Inc. EBITDA sector ⁽⁴⁾	17.4	1.1	24.3	13.1
Net Profit	1.3	1.9	2.2	2.5
EPS (EUR)	0.10	0.14	0.16	0.18
% growth	8.9	40.7	16.2	14.5
Ord. EPS (EUR)	0.09	0.14	0.16	0.18
% growth	335.5	47.1	16.2	14.5
Rec. Free Cash Flow ⁽⁵⁾	-1.5	0.8	1.1	1.4
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	2.7	2.0	0.9	-0.5
ND/Rec. EBITDA (x)	1.6	0.7	0.3	-0.1
ROE (%)	37.0	32.4	26.1	23.4
ROCE (%) ⁽⁵⁾	27.3	26.2	24.5	24.5

Ratios & Multiples (x)⁽⁶⁾

	2019	2020e	2021e	2022e
P/E	57.3	40.7	35.1	30.6
Ord. P/E	59.9	40.7	35.1	30.6
P/BV	17.2	10.3	7.9	6.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	9.42	8.29	7.39	6.66
EV/Rec. EBITDA	44.9	28.8	24.5	21.2
EV/EBIT	40.2	29.2	25.6	22.8
FCF Yield (%) ⁽⁵⁾	n.a.	1.1	1.5	1.8

(1) Please refer to Appendix 3.

(2) Rotation represents the % of the capitalisation traded - 12m.

(3) FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

(4) Sector: TRBC Europe Technology Index.

(5) Please see Annex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

Despite Covid-19 there is no reason at present to downgrade estimates (2020-2022)

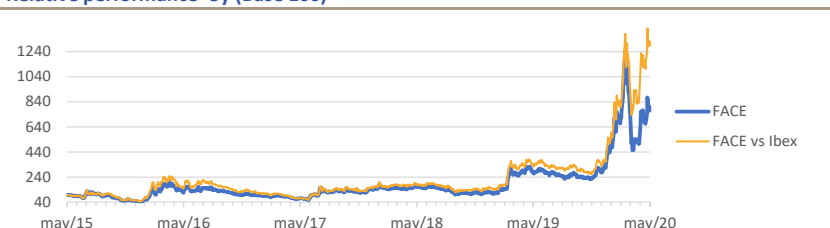
FACE FULLY CONFIRMS THE PRELIMINARY 2019 RESULTS ANNOUNCED IN JANUARY. We highlight: (i) the take-off in revenue (EUR 8.2Mn; in line with our estimates), +82.7% vs 2018 mainly due to the capture of new clients, (ii) which fed through to EBITDA (EUR 1.7Mn vs EUR 0.2Mn in 2018), courtesy of the high operating leverage (EBITDA margin of c. 20%; in line with estimates), and (iii) all without over leveraging the company (ND of EUR 2.7Mn; 2019 ND/EBITDA 1.5x).

AND DESPITE THE SEVERE GLOBAL CRISIS... OUR ESTIMATES ARE UNCHANGED: Our central scenario is for the consolidation of recurring EBITDA of EUR 3.5Mn in 2022e (+28.5% CAGR 2019-2022e), with turnover of at least EUR c. €11.5Mn (+12.2% CAGR) which implies the generation of positive FCF as early as 2020e (FCF yield c. 1.1%). And gearing below 1x ND/EBITDA in 2020e and 2021e. Although still under pressure from long collection periods and working capital consumption.

THE MAIN BUSINESS DRIVERS WILL BE: (i) exposure to a growth industry (biometrics) that in theory is more shielded than most from the crisis, (ii) a strong positioning in Latam, and (iii) the exploiting of the company's high operating leverage (with a still high fixed costs base of c. 60%) allowing it to squeeze the most out of any increase in revenue by leveraging its business on a technology that has already been developed.

IN CONCLUSION: On paper, the biometrics sector provides an opportunity and FACE is well placed to make the most of this: (i) goodwill in Latam and entry of heavyweight clients (such as Caixabank), (ii) a healthy financial structure and (iii) a high level of operating leverage, allowing it to aspire mathematically to strong margin growth. The EV/sales ratio (vs the sector) is discounting levels of turnover above those of our central scenario for 2022 or high growth in the long term. Although this is compatible with assumptions of strong growth in biometrics. FACE's equity story is essentially sectorial. Despite Covid-19 we maintain our estimates, while waiting for this potential to materialise in what is an uncertain year.

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	16.6	7.8	170.2	77.6	965.4	669.4
vs Ibex 35	19.6	58.5	278.0	154.1	1678.2	1187.5
vs Ibex Small Cap Index	7.6	32.9	220.9	109.5	1007.4	635.2
vs Eurostoxx 50	14.7	44.2	229.1	133.8	1270.7	862.7
vs Sector benchmark ⁽⁴⁾	5.6	25.6	166.2	96.9	809.2	427.8

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

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This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

FacePhi (FACE) is an Alternative Equity Market (MAB) company

MAB is owned and operated by the Spanish Stock Exchange (BME) and is subject to the CNMV supervision. MAB is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID).

MAB is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in the MAB started in July 2009. There are currently 39 growth companies and 78 REITs listed on it.

2019 results: Estimates unchanged

Our estimates are unchanged: Revenue and EBITDA, +12.2% and +28.5% CAGR 2019-2022e

Chart 1. 2019 vs 2018 key figures

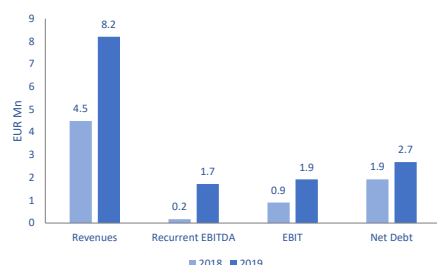


Chart 2. Revenue mix (2019)

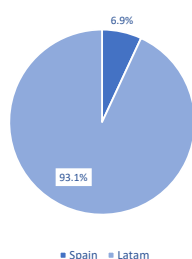


Chart 3. Revenues (2015-2022e)

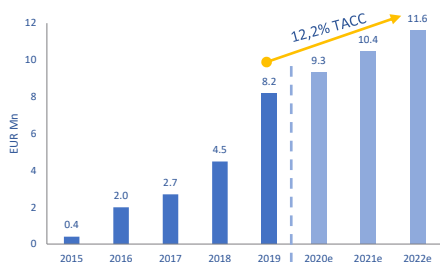
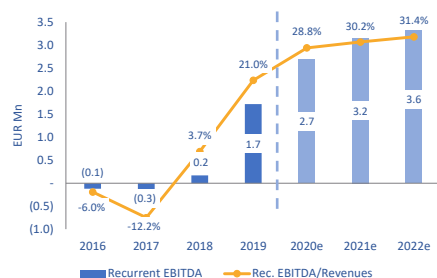


Chart 4. Recurrent EBITDA (2015-2022e)



FACE has reported 2019 results that confirm the preliminary figures released in January. So already discounted and with no impact on the share price. We highlight: (i) the take-off in revenue (EUR 8.2Mn; in line with our estimates), +82.7% vs 2018 mainly due to the capture of new clients, (ii) which fed through to EBITDA (EUR 1.7Mn vs 0.2Mn in 2018), courtesy of the high operating leverage (EBITDA margin of c. 20%; in line with estimates) and (iii) all without over leveraging the company, with ND of EUR 2.7Mn (2019 ND/EBITDA 1.5x).

Table 1. 2019 Results

EUR Mn	12m19	12m18	12m19 vs 12m18	2019e	12m19 vs 2019e
Total Revenues	8.2	4.5	82.7%	8.1	1.8%
Recurrent EBITDA*	1.7	0.2	n.a.	1.6	9.4%
<i>Rec. EBITDA/Revenues</i>	<i>21.0%</i>	<i>3.7%</i>	<i>17.2 p.p.</i>	<i>19.5%</i>	<i>1.5 p.p.</i>
EBITDA*	1.8	0.7	143.8%	1.6	11.3%
<i>EBITDA/Revenues</i>	<i>21.8%</i>	<i>16.3%</i>	<i>5.5 p.p.</i>	<i>19.9%</i>	<i>1.9 p.p.</i>
EBIT	1.9	0.9	112.4%	1.7	15.3%
PBT	1.7	0.9	101.6%	1.6	7.8%
NP	1.3	1.2	10.4%	1.4	-10.2%
Ordinary NP	1.2	0.3	341.4%	1.4	-12.3%
Rec. FCF	-1.5	0.1	n.a.	-1.7	-13%
<i>Rec. FCF Yield</i>	<i>n.a.</i>	<i>0.1%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Net Debt	2.7	1.9	40%	3.1	-14%
ND / EBITDA	1.5 x	2.6 x	-1.1 x	1.9 x	0.4 x

So, the snapshot that confirms 2019 results is that of a company which is consolidating its step-up in size, assuring its transition to positive recurring EBITDA (vs break-even in 2018) with high margins (the result of a very light cost structure). And with an acceptable level of debt (1.5x ND/EBITDA 2019).

At present (May 2020), global uncertainty is still maximum as regards the final impact of Covid-19. Advance estimates provided by the main economic institutions all coincide in that it is still too early to assess the severity of the crisis and the time it will take to emerge from it. However, FACE is positioned in a sector (biometrics) that in theory is more shielded from the crisis, and could even emerge from it stronger, due to a possible increase in demand for contactless technologies for authentication and onboarding processes. A sectorial driver, which is intuitively believable, and which enables us to maintain our estimates for 2020e-2022e unchanged.

The step-up in scale of 2019 consolidates the exceeding of breakeven and opens up the opportunity (and risk) of growth

- **Strong revenue growth: +12.2% CAGR 2019-2022e**, resulting from: (i) the capacity for renewal of annual licences (we assume the renewal of c. 80% of licences), (ii) growth in the volume of new licences (the result of the opening of new markets; South Korea in 2019 is an example) and (iii) support and maintenance revenues (more stable and recurring; c. 15% of total revenues in 2019).
- **...that will boost margins to c. 30% of recurrent EBITDA (purely by taking advantage of the operating leverage)**. The business' high operating leverage (with fixed costs c. 60% of total costs), will generate large scale economies, leveraging the business on technology that has already been developed. The strong revenue growth estimated for 2019-2022e will increase recurrent EBITDA to EUR 3.6Mn in 2022 (EBITDA 2019-2022e +28.5% CAGR).

- **And translate into net profit (+ 25.1% CAGR 2019-2022e):** The small impact of D&A (c. EUR 0.6Mn/year) and zero impact of financial expenses (c. EUR 0.1Mn in 2019) will result in NP in 2022e of (at least) EUR 2.5Mn (using an effective tax rate of 25%; similar to 2019).
- **Maintaining a comfortable financial position that will allow for the acceleration of growth.** Although under pressure from a collection period that has remained very long in recent years as the result of a business that in 2019 generated >85% of its revenues in the second half of the year (with a significant concentration in 4Q19). The capital structure does not seem to be a problem a priori (ND/EBITDA 2019 c. 1.5x).

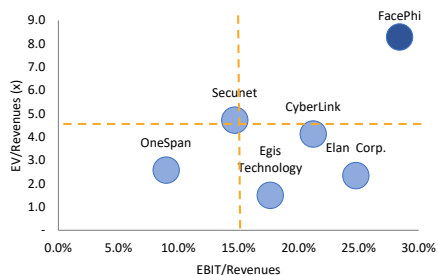
Year to date, Nice & Green (a Swiss institutional investor heavily specialised in small cap funding) has executed the entire first tranche of the investment agreement reached in 2019 in an amount of c. EUR 1.1Mn, which is in addition to the capital increase carried out by the offsetting of credit balances of December 2019 for c. EUR 0.5Mn (total investment of c. EUR 1.6Mn; 4.7% stake in equity). If required, FACE could obtain a further c. EUR 2.4Mn from the agreement with N&G, which would open up the strategic option of taking advantage of the current macro context to grow non-organically (the EUR 2Mn acquisition of Ecercit in January 2020 is an example).

Chart 5. Euro Stoxx Technology vs biometrics players



Note: The biometric niche sample includes 20 small size companies exclusively dedicated to the development of biometric solutions. The sample of companies is as follows: Aware, Inc, BIO-key, BrainChip, Holdings Ltd., CyberLink, Egis Technology, Elan, Microelectronics Corp., FacePhi, Fingerprint Cards, IDEX, Biometrics, ImageWare Systems, NEXT Biometrics Group, NXT-ID Inc, OneSpan, Precise Biometrics, RealNetworks (SAFR), Remark Holdings, Inc., Secunet, SuperCom Ltd., VerifyMe Inc., Mitek Systems, Inc., SmartMetric, Inc.

Chart 6. 2021e EV/Sales and EBIT/Sales 2021e vs players in the biometrics sector



In conclusion: The company's positioning in a sector that is in theory more shielded from the crisis keeps the growth opportunity intact

The Euro Stoxx Technology index has clearly outperformed the Stoxx Europe 600 (-3m, +11.5 p.p.), an outperformance that is even bigger if we focus exclusively on the niche players of the biometrics software sector (+23.6p.p. vs Eurostoxx 50), which at the time of writing had already recovered market price levels prior to the impact of Covid-19 (chart 5); so the market is anticipating the theoretical resilience of the sector to the crisis.

In theory growth could be very high. Even despite the current macro scenario, in our view, the main risk is still commercial. 2019 results confirm FACE has reached a theoretically optimal point. And so, the growth opportunity remains intact (what happened in 2016-2019 is illustrative: revenue x4). Our central scenario is the consolidation of EBITDA of, at least, c. EUR 3.5Mn in 2020e-2022e, with turnover > EUR 11.5Mn. All based on:

- **Exposure to a growing sector**, that could even emerge from the crisis stronger: Research And Markets (March 2020) estimates Covid-19 could cause an increase in demand for biometric technology for authentication and onboarding processes.
- **Capitalising on its already strong positioning in Latam, where FACE has acquired significant experience** that will enable the company to increase the number of new users of annual licences. The opening of new markets, such as South Korea in 2019 (still at the ramp-up stage), is an additional growth lever.
- **Exploitation of its high operating leverage** an evident strength as, with a high fixed costs base, it will be able to generate large scale economies, leveraging the business on technology that has already been developed.

What is the share price telling us today? In strictly theoretical terms, taking the EV/sales ratios of a sample of biometric companies as a reference (3x), and adjusting this by the difference in EBIT margin between FACE and its sector (c. +8p.p.; chart 6) FACE's theoretical EV/sales ratio would be 4.6x. Accordingly, the current EV (EUR 77Mn) would be discounting FACE's ability to generate revenue of at least EUR 16Mn. Or the ability to maintain high growth rates in the long term. This is not our central scenario (2022e, EUR 12 Mn) but is feasible with strong growth in biometrics, the driver that explains the price today. FACE's equity story is essentially sectorial.

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
Intangible assets	0.9	1.0	1.1	1.2	1.6	1.6	1.4	1.2		
Fixed assets	0.0	0.0	0.0	0.0	0.0	0.4	0.8	1.4		
Other Non Current Assets	0.1	0.1	-	0.4	0.1	1.2	1.2	1.2		
Financial Investments	0.1	0.6	0.3	0.5	0.7	0.7	0.7	0.7		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	0.3	0.8	2.8	3.8	8.3	9.5	10.6	11.8		
Total assets	1.3	2.5	4.2	6.0	10.7	13.3	14.7	16.3		
Equity	0.5	0.9	1.4	2.6	4.4	7.3	9.5	12.0		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	-	-	0.1	0.1	0.1	0.1	0.1	0.1		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	0.4	1.5	2.0	1.9	2.7	2.0	0.9	(0.5)		
Current Liabilities	0.4	0.2	0.7	1.4	3.6	3.9	4.3	4.6		
Equity & Total Liabilities	1.3	2.5	4.2	6.0	10.7	13.3	14.7	16.3		
P&L (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
Total Revenues	0.4	2.0	2.7	4.5	8.2	9.3	10.4	11.6	<i>n.a.</i>	12.2%
<i>Total Revenues growth</i>	<i>1161.8%</i>	<i>392.7%</i>	<i>34.8%</i>	<i>66.0%</i>	<i>82.7%</i>	<i>13.6%</i>	<i>12.2%</i>	<i>10.9%</i>		
COGS	(0.1)	(0.5)	(0.7)	(1.2)	(2.5)	(3.1)	(3.5)	(4.0)		
Gross Margin	0.3	1.5	2.0	3.3	5.7	6.2	6.9	7.6	<i>n.a.</i>	10.4%
<i>Gross Margin/Revenues</i>	<i>73.9%</i>	<i>74.8%</i>	<i>74.6%</i>	<i>72.4%</i>	<i>69.3%</i>	<i>66.9%</i>	<i>66.2%</i>	<i>65.9%</i>		
Personnel Expenses	(0.8)	(1.1)	(1.2)	(1.7)	(1.9)	(2.1)	(2.3)	(2.4)		
Other Operating Expenses	(0.5)	(0.5)	(1.1)	(1.4)	(2.0)	(1.4)	(1.5)	(1.6)		
Recurrent EBITDA	(0.9)	(0.1)	(0.3)	0.2	1.7	2.7	3.2	3.6	<i>n.a.</i>	28.5%
<i>Recurrent EBITDA growth</i>	<i>31.6%</i>	<i>87.2%</i>	<i>-174.1%</i>	<i>150.8%</i>	<i>923.7%</i>	<i>56.0%</i>	<i>17.7%</i>	<i>15.5%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.7%</i>	<i>21.0%</i>	<i>28.8%</i>	<i>30.2%</i>	<i>31.4%</i>		
Restructuring Expense & Other non-rec.	0.0	0.0	0.8	0.6	0.1	-	-	-		
EBITDA	(0.9)	(0.1)	0.5	0.7	1.8	2.7	3.2	3.6	<i>n.a.</i>	26.8%
Depreciation & Provisions	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.6)	(0.7)	(0.9)		
Capitalized Expense	0.3	0.3	0.4	0.5	0.6	0.6	0.6	0.6		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	(0.8)	(0.0)	0.6	0.9	1.9	2.6	3.0	3.4	<i>n.a.</i>	20.8%
<i>EBIT growth</i>	<i>25.2%</i>	<i>97.2%</i>	<i>n.a.</i>	<i>59.8%</i>	<i>112.4%</i>	<i>37.6%</i>	<i>14.0%</i>	<i>12.3%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>20.9%</i>	<i>20.2%</i>	<i>23.4%</i>	<i>28.4%</i>	<i>28.9%</i>	<i>29.2%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.8)	(0.1)	0.5	0.8	1.7	2.5	2.9	3.4	<i>n.a.</i>	25.3%
<i>Ordinary Profit Growth</i>	<i>24.1%</i>	<i>93.3%</i>	<i>993.7%</i>	<i>78.3%</i>	<i>102.7%</i>	<i>47.6%</i>	<i>16.2%</i>	<i>14.5%</i>		
Extraordinary Results	-	-	(0.0)	0.0	0.0	-	-	-		
Profit Before Tax	(0.8)	(0.1)	0.5	0.9	1.7	2.5	2.9	3.4	<i>n.a.</i>	25.1%
Tax Expense	-	-	(0.1)	0.3	(0.4)	(0.6)	(0.7)	(0.8)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>22.9%</i>	<i>n.a.</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.8)	(0.1)	0.4	1.2	1.3	1.9	2.2	2.5	<i>n.a.</i>	25.1%
<i>Net Profit growth</i>	<i>25.7%</i>	<i>93.3%</i>	<i>789.1%</i>	<i>219.9%</i>	<i>10.4%</i>	<i>47.0%</i>	<i>16.2%</i>	<i>14.5%</i>		
Ordinary Net Profit	(0.8)	(0.1)	(0.4)	0.3	1.2	1.9	2.2	2.5	<i>n.a.</i>	26.9%
<i>Ordinary Net Profit growth</i>	<i>21.0%</i>	<i>91.3%</i>	<i>-389.2%</i>	<i>179.5%</i>	<i>341.4%</i>	<i>53.7%</i>	<i>16.2%</i>	<i>14.5%</i>		
Cash Flow (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
Recurrent EBITDA						2.7	3.2	3.6	<i>n.a.</i>	28.5%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(0.8)	(0.8)	(0.8)		
Recurrent Operating Cash Flow						1.9	2.4	2.8	<i>-5.9%</i>	<i>n.a.</i>
CAPEX						(0.3)	(0.4)	(0.6)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.1)	(0.0)		
Tax Expense						(0.6)	(0.7)	(0.8)		
Recurrent Free Cash Flow						0.8	1.1	1.4	<i>15.2%</i>	<i>n.a.</i>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(1.2)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(0.3)	1.1	1.4	<i>18.5%</i>	<i>n.a.</i>
Capital Increase						1.1	-	-		
Dividends						-	-	-		
Net Debt Variation						(0.7)	(1.1)	(1.4)		

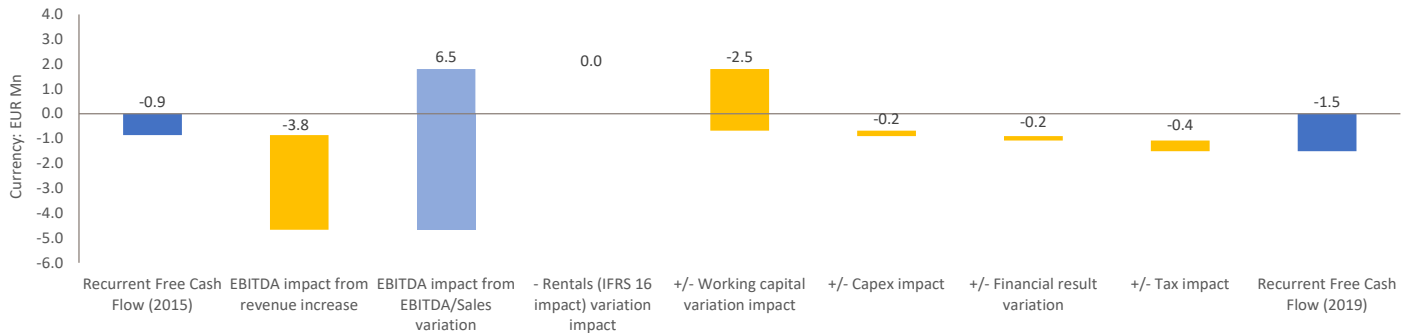
Note 1: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

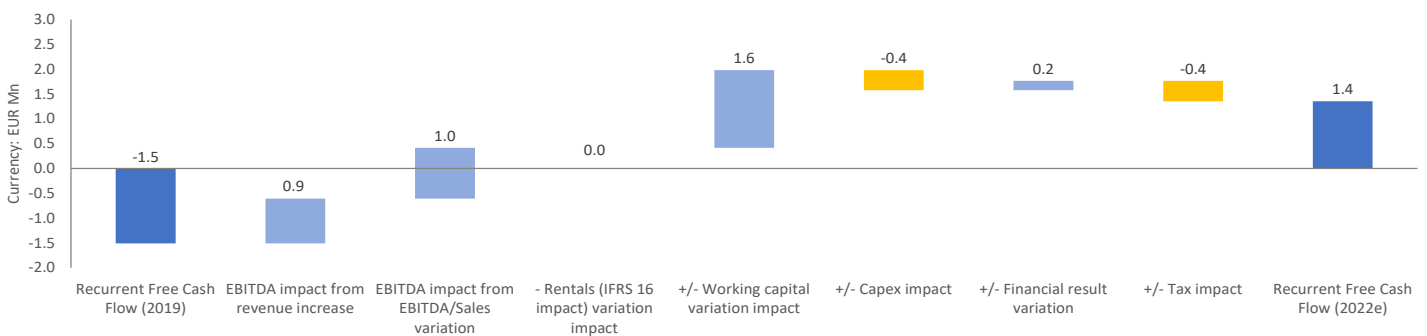
A) Cash Flow Analysis (EUR Mn)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								16-19	19-22e
Recurrent EBITDA	(0.1)	(0.3)	0.2	1.7	2.7	3.2	3.6	<i>n.a.</i>	28.5%
<i>Recurrent EBITDA growth</i>	87.2%	-174.1%	150.8%	923.7%	56.0%	17.7%	15.5%		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	3.7%	21.0%	28.8%	30.2%	31.4%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.7)	(1.5)	(0.3)	(2.4)	(0.8)	(0.8)	(0.8)		
= Recurrent Operating Cash Flow	(0.8)	(1.8)	(0.1)	(0.6)	1.9	2.4	2.8	-7.5%	<i>n.a.</i>
<i>Rec. Operating Cash Flow growth</i>	-1.0%	126.3%	-92.2%	349.1%	<i>n.a.</i>	24.2%	20.4%		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	20.4%	22.6%	24.6%		
- CAPEX	-	-	-	(0.2)	(0.3)	(0.4)	(0.6)		
- Net Financial Result affecting Cash Flow	(0.0)	(0.0)	(0.1)	(0.2)	(0.1)	(0.1)	(0.0)		
- Taxes	-	(0.1)	0.3	(0.4)	(0.6)	(0.7)	(0.8)		
= Recurrent Free Cash Flow	(0.8)	(2.0)	0.1	(1.5)	0.8	1.1	1.4	21.8%	<i>n.a.</i>
<i>Rec. Free Cash Flow growth</i>	-2.6%	137.7%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	35.0%	22.5%		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	2.6%	<i>n.a.</i>	8.8%	10.6%	11.7%		
- Restructuring expenses & others	0.0	0.8	0.6	0.1	-	-	-		
- Acquisitions / + Divestments	-	-	-	(0.2)	(1.2)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.0)	0.0	-	-	-	-		
= Free Cash Flow	(0.8)	(1.2)	0.7	(1.6)	(0.3)	1.1	1.4	25.4%	<i>n.a.</i>
<i>Free Cash Flow growth</i>	-0.1%	42.3%	<i>n.a.</i>	<i>n.a.</i>	-78.8%	<i>n.a.</i>	22.5%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	0.2%	<i>n.a.</i>	1.1%	1.5%	1.8%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	0.9%	<i>n.a.</i>	<i>n.a.</i>	1.5%	1.8%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2016	2017	2018	2019	2020e	2021e	2022e		
Recurrent FCF(FY - 1)	(0.9)	(0.8)	(2.0)	0.1	(1.5)	0.8	1.1		
EBITDA impact from revenue increase	(3.7)	(0.0)	(0.2)	0.1	0.2	0.3	0.3		
EBITDA impact from EBITDA/Sales variation	4.5	(0.2)	0.7	1.4	0.7	0.1	0.1		
= Recurrent EBITDA variation	0.8	(0.2)	0.5	1.6	1.0	0.5	0.5		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	(0.8)	(0.8)	1.2	(2.1)	1.6	(0.0)	(0.0)		
= Recurrent Operating Cash Flow variation	0.0	(1.0)	1.7	(0.5)	2.5	0.5	0.5		
+/- CAPEX impact	-	-	-	(0.2)	(0.1)	(0.1)	(0.2)		
+/- Financial result variation	0.0	(0.0)	(0.0)	(0.2)	0.1	0.0	0.1		
+/- Tax impact	-	(0.1)	0.4	(0.7)	(0.2)	(0.1)	(0.1)		
= Recurrent Free Cash Flow variation	0.0	(1.2)	2.1	(1.6)	2.3	0.3	0.2		
Recurrent Free Cash Flow	(0.8)	(2.0)	0.1	(1.5)	0.8	1.1	1.4		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
EBIT	(0.0)	0.6	0.9	1.9	2.6	3.0	3.4	<i>n.a.</i>	20.8%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	-	-	-	(0.5)	(0.7)	(0.8)	(0.8)		
Recurrent EBITDA	(0.1)	(0.3)	0.2	1.7	2.7	3.2	3.6	<i>n.a.</i>	28.5%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.7)	(1.5)	(0.3)	(2.4)	(0.8)	(0.8)	(0.8)		
= Recurrent Operating Cash Flow	(0.8)	(1.8)	(0.1)	(0.6)	1.9	2.4	2.8	-7.5%	<i>n.a.</i>
- CAPEX	-	-	-	(0.2)	(0.3)	(0.4)	(0.6)		
- Taxes (pre- Financial Result)	-	-	-	(0.5)	(0.7)	(0.8)	(0.8)		
= Recurrent Free Cash Flow (To the Firm)	(0.8)	(1.8)	(0.1)	(1.3)	0.9	1.2	1.4	18.2%	<i>n.a.</i>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-1.0%	126.3%	-92.2%	838.3%	<i>n.a.</i>	28.2%	17.8%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	9.8%	11.2%	11.8%		
- Acquisitions / + Divestments	-	-	-	(0.2)	(1.2)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.0)	0.0	-	-	-	-		
= Free Cash Flow "To the Firm"	(0.8)	(1.8)	(0.1)	(1.5)	(0.3)	1.2	1.4	23.0%	<i>n.a.</i>
<i>Free Cash Flow (To the Firm) growth</i>	-1.0%	126.4%	-92.7%	<i>n.a.</i>	-83.4%	<i>n.a.</i>	17.8%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.2%	1.5%	1.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.5%	1.8%		

Note 1: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

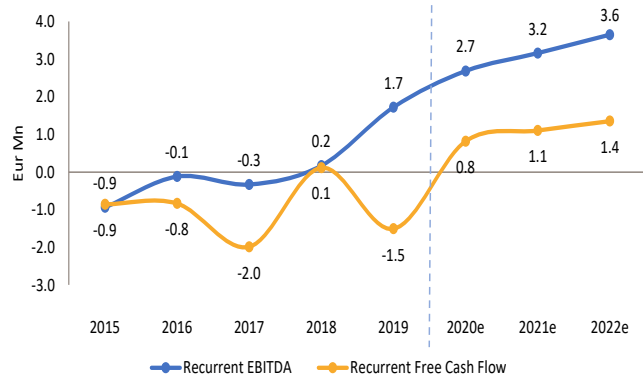
Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



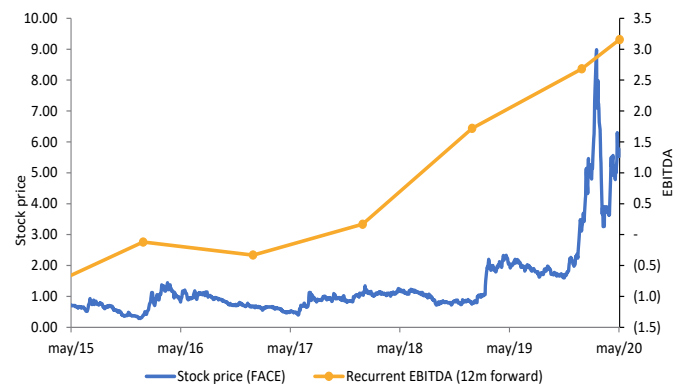
Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	75.2	
+ Minority Interests	-	12m Results 2019
+ Provisions & Other L/T Liabilities	0.1	12m Results 2019
+ Net financial debt	2.7	12m Results 2019
- Financial Investments	0.7	12m Results 2019
+/- Others	-	
Enterprise Value (EV)	77.3	

Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
															09-19	19-22e
Total Revenues							0.4	2.0	2.7	4.5	8.2	9.3	10.4	11.6	n.a.	12.2%
<i>Total Revenues growth</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	392.7%	34.8%	66.0%	82.7%	13.6%	12.2%	10.9%		
EBITDA							(0.9)	(0.1)	0.5	0.7	1.8	2.7	3.2	3.6	n.a.	26.8%
<i>EBITDA growth</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	88.7%	584.2%	48.5%	143.8%	50.1%	17.7%	15.5%		
<i>EBITDA/Sales</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.2%	16.3%	21.8%	28.8%	30.2%	31.4%		
Net Profit							(0.8)	(0.1)	0.4	1.2	1.3	1.9	2.2	2.5	n.a.	25.1%
<i>Net Profit growth</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	93.3%	789.1%	219.9%	10.4%	47.0%	16.2%	14.5%		
<i>Adjusted number shares (Mn)</i>	-	-	-	-	-	-	11.9	13.1	13.1	13.2	13.3	13.9	13.9	13.9		
<i>EPS (EUR)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.03	0.09	0.10	0.14	0.16	0.18	n.a.	23.3%
<i>EPS growth</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.9%	40.7%	16.2%	14.5%		
<i>Ord. EPS (EUR)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.02	0.09	0.14	0.16	0.18	n.a.	25.1%
<i>Ord. EPS growth</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47.1%	16.2%	14.5%		
CAPEX							-	-	-	-	(0.2)	(0.3)	(0.4)	(0.6)		
<i>CAPEX/Sales %</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	2.7%	3.6%	4.3%	5.4%		
Free Cash Flow							(0.8)	(0.8)	(1.2)	0.7	(1.6)	(0.3)	1.1	1.4	n.a.	n.a.
<i>ND/EBITDA (x) (2)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.2x	2.6x	1.5x	0.7x	0.3x	-0.1x		
<i>P/E (x)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	39.2x	8.4x	32.3x	40.7x	35.1x	30.6x		
<i>EV/Sales (x)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.2x	5.2x	6.0x	2.6x	5.4x	8.3x	7.4x	6.7x		
<i>EV/EBITDA (x) (2)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	33.2x	16.0x	24.8x	28.8x	24.5x	21.2x		
<i>Absolute performance</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-72.5%	78.9%	60.3%	-31.2%	316.0%	77.6%				
<i>Relative performance vs Ibx 35</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-70.3%	82.6%	49.3%	-19.1%	272.0%	154.1%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices.

The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.0Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2020e

	Biometrics (Niche Players)								Technological cias with exposure to biometrics					Average	FACE
	EUR Mn	CyberLink	Egis Technology	Elan Microelectroni cs Corp.	Mitek Systems, Inc.	OneSpan	Secunet	Suprema ID Inc.	Diebold Nixdorf Technology	NEC	NICE	Synaptics			
Market data	Ticker (Reuters)	5203.TW	6462.TWO	2458.TW	MITK.O	OSPN.O	YSNG.DE	317770.KQ		DBD	6701.T	NICE.O	SYNA.O		FACE.MC
	Country	Taiwan	Taiwan	Taiwan	USA	USA	Germany	S. Korea		USA	Japan	Israel	USA		Spain
	Market cap	316.4	426.6	923.5	338.1	711.5	1,086.7	31.4		324.4	9,241.9	9,741.6	2,084.7		75.2
	Enterprise value (EV)	230.7	357.6	794.6	306.0	614.0	1,040.1	8.5		2,151.4	14,813.9	9,724.2	2,133.5		77.3
Basic financial information	Total Revenues	55.8	238.4	339.1	77.6	237.9	220.0	18.3		3,645.1	26,112.4	1,553.7	1,295.0		9.3
	<i>Total Revenues growth</i>	28.6%	8.6%	19.8%	41.8%	4.8%	-3.0%	95.9%	28.1%	-7.3%	-0.1%	10.7%	-7.2%		13.6%
	<i>2y CAGR (2020e - 2022e)</i>	n.a.	2.3%	n.a.	16.2%	10.6%	9.5%	n.a.	9.7%	0.6%	-0.1%	7.6%	-6.7%		11.5%
	EBITDA	20.6	41.0	78.7	7.6	23.6	39.6	4.9		345.4	2,279.3	493.8	109.0		2.7
	<i>EBITDA growth</i>	150.0%	13.9%	19.7%	721.9%	-1.3%	-0.9%	545.7%	207.0%	34.7%	5.9%	34.1%	74.7%		50.1%
	<i>2y CAGR (2020e - 2022e)</i>	n.a.	3.2%	n.a.	82.3%	47.6%	16.0%	n.a.	37.3%	6.7%	n.a.	6.6%	42.7%		16.6%
	<i>EBITDA/Revenues</i>	37.0%	17.2%	23.2%	9.9%	18.0%	17.5%	27.0%	20.3%	9.5%	8.7%	31.8%	8.4%		14.6%
	EBIT	11.8	42.0	84.0	(0.1)	21.3	32.3	4.6		215.7	n.a.	443.7	12.2		2.6
	<i>EBIT growth</i>	53.4%	27.8%	35.2%	95.2%	56.6%	-2.8%	n.a.	44.3%	294.5%	n.a.	107.7%	128.6%		37.6%
	<i>2y CAGR (2020e - 2022e)</i>	n.a.	1.9%	n.a.	n.a.	51.0%	17.5%	n.a.	23.5%	4.4%	n.a.	11.9%	287.9%		11.8%
	<i>EBIT/Revenues</i>	21.2%	17.6%	24.8%	n.a.	9.0%	14.7%	25.2%	18.7%	5.9%	n.a.	28.6%	0.9%		28.4%
	Net Profit	14.8	34.5	64.4	(0.7)	17.1	22.0	3.8		22.5	745.9	343.9	(18.6)		1.9
	<i>Net Profit growth</i>	30.4%	35.5%	-12.4%	-88.8%	117.8%	-0.8%	349.0%	61.5%	n.a.	14.7%	107.4%	-73.2%		47.0%
	<i>2y CAGR (2020e - 2022e)</i>	n.a.	3.5%	n.a.	n.a.	44.1%	17.6%	n.a.	21.7%	n.a.	8.2%	10.0%	n.a.		13.8%
	<i>CAPEX/Sales %</i>	-0.5%	-0.6%	-0.8%	-1.3%	n.a.	-3.6%	0.0%	-1.1%	-0.4%	-2.1%	-1.8%	-1.6%		-3.6%
	Free Cash Flow	17.8	39.8	59.5	6.1	(0.4)	n.a.	n.a.		45.2	1,498.2	413.5	57.4		(0.3)
	<i>Net financial debt</i>	n.a.	(70.2)	(71.7)	(30.5)	n.a.	(46.1)	(11.0)		1,698.7	980.7	(523.8)	123.6		2.0
	<i>ND/EBITDA (x)</i>	n.a.	(1.7)	(0.9)	(4.0)	n.a.	(1.2)	(2.2)	(2.0)	4.9	0.4	(1.1)	1.1		0.7
	<i>Pay-out</i>	75.1%	60.5%	90.2%	n.a.	n.a.	50.3%	0.0%	55.2%	0.0%	20.7%	0.0%	n.a.		6.9%
Multiples and Ratios	<i>P/E (x)</i>	21.2	12.3	14.3	n.a.	42.3	n.a.	7.2	19.5	8.6	12.6	29.6	n.a.		16.9
	<i>P/BV (x)</i>	2.5	4.3	3.8	3.3	n.a.	12.0	1.6	4.6	n.a.	1.1	4.1	3.3		10.3
	<i>EV/Revenues (x)</i>	4.1	1.5	2.3	3.9	2.6	4.7	0.5	2.8	0.6	0.6	6.3	1.6		8.3
	<i>EV/EBITDA (x)</i>	11.2	8.7	10.1	40.4	26.0	26.3	1.7	17.8	6.2	6.5	19.7	19.6		28.8
	<i>EV/EBIT (x)</i>	19.5	8.5	9.5	n.a.	28.8	32.2	1.8	16.7	10.0	n.a.	21.9	n.a.		29.2
	<i>ROE</i>	13.0	33.6	27.1	n.a.	n.a.	26.3	22.1	24.4	14.5	9.8	14.0	n.a.		32.4
	<i>FCF Yield (%)</i>	5.7	9.3	6.5	3.6	n.a.	n.a.	n.a.	6.3	14.0	16.4	4.3	5.8		1.1
	<i>DPS</i>	0.13	0.30	0.20	n.a.	n.a.	1.71	0.00	0.47	0.00	0.60	0.00	n.a.		0.00
	<i>Dvd Yield</i>	3.5%	5.1%	6.6%	n.a.	n.a.	1.0%	0.0%	3.2%	0.0%	1.7%	0.0%	n.a.		0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(0.3)	1.2	1.4	21.5		
Market Cap	75.2	At the date of this report				
Net financial debt	2.7	Debt net of Cash (12m Results 2019)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.0%	5.0%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.2%	4.0%
Risk free rate (rf)	0.9%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.2	B (Thomson Reuters)			1.2	1.3
Cost of Equity	11.7%	Ke = Rf + (R * B)			11.1%	13.3%
Equity / (Equity + Net Debt)	96.6%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	3.4%	D			=	=
WACC	11.4%	WACC = Kd * D + Ke * E			10.9%	13.0%
G "Fair"	4.0%				4.0%	3.0%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table, and with a growth rate ("g") that reflects a high growth company in a take-off stage (EBITDA CAGR 2019-2022e > 20%).

Inputs for the Multiples Valuation Approach

Company	Ticker	Reuters	Mkt. Cap	P/E 20e	EPS 20e-22e	EV/EBITDA 20e	EBITDA 20e-22e	EV/Sales 20e	Revenues 20e-22e	EBITDA/Sales 20e	FCF Yield 20e	FCF 20e-22e
CyberLink	5203.TW		316.4	21.2	n.a.	11.2	n.a.	4.1	n.a.	37.0%	5.7%	n.a.
Egis Technology	6462.TWO		426.6	12.3	4.2%	8.7	3.2%	1.5	2.3%	17.2%	9.3%	n.a.
Elan Microelectronics Corp.	2458.TW		923.5	14.3	n.a.	10.1	n.a.	2.3	n.a.	23.2%	6.5%	n.a.
Mitek Systems, Inc.	MITK.O		338.1	n.a.	n.a.	40.4	82.3%	3.9	16.2%	9.8%	3.6%	42.3%
OneSpan	OSPN.O		711.5	42.3	47.6%	26.0	47.6%	2.6	10.6%	9.9%	n.a.	n.a.
Secunet	YSNG.DE		1,086.7	n.a.	n.a.	26.3	16.0%	4.7	9.5%	18.0%	n.a.	n.a.
Suprema ID Inc.	317770.KQ		31.4	7.2	n.a.	1.7	n.a.	0.5	n.a.	27.0%	n.a.	n.a.
Biometrics (Niche Players)				19.5	25.9%	17.8	37.3%	2.8	9.7%	20.3%	6.3%	42.3%
Diebold Nixdorf Technology	DBD		324.4	8.6	32.2%	6.2	6.7%	0.6	0.6%	9.5%	14.0%	n.a.
NEC	6701.T		9,241.9	12.6	n.a.	6.5	n.a.	0.6	-0.1%	8.7%	16.4%	-15.0%
NICE	NICE.O		9,741.6	29.6	10.9%	19.7	6.6%	6.3	7.6%	31.8%	4.3%	9.4%
Synaptics	SYNA.O		2,084.7	n.a.	n.a.	19.6	42.7%	1.6	-6.7%	8.4%	5.8%	57.6%
Technological cias with exposure to biometrics				16.9	21.5%	13.0	18.7%	2.3	0.4%	14.6%	10.1%	17.3%
FACE	FACE.MC		75.2	40.7	13.8%	28.8	16.6%	8.3	11.5%	28.8%	1.1%	n.a.

Free Cash Flow sensitivity analysis (2021e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 21e	EBITDA 21e	EV/EBITDA 21e
Max	31.2%	3.3	23.7x
Central	30.2%	3.2	24.5x
Min	29.2%	3.1	25.3x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 21e			Scenario	Rec. FCF/Yield 21e		
	EBITDA 21e	3.3%	4.3%		5.3%	Max	Central
3.3	1.3	1.2	1.1	Max	1.7%	1.6%	1.5%
3.2	1.2	1.1	1.0	Central	1.6%	1.5%	1.3%
3.1	1.1	1.0	0.9	Min	1.5%	1.3%	1.2%

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
07-May-2020	n.a.	5.54	n.a.	n.a.	Review of estimates	David López Sánchez
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m Results 2019	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initial Coverage	David López Sánchez

