

FacePhi (FACE) is a small Spanish tech company, 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. 85% of revenue). It has been listed on BME Growth since 2014.

Market Data

Market Cap (Mn EUR and USD)	55.4	67.4
EV (Mn EUR and USD) ⁽¹⁾	55.8	67.9
Shares Outstanding (Mn)	14.4	
-12m (Max/Med/Mín EUR)	7.18 / 5.19 / 3.70	
Daily Avg volume (-12m Mn EUR)	0.33	
Rotation ⁽²⁾	151.6	
Refinitiv / Bloomberg	FACE.MC / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Salvador Martí Varó	9.1
Javier Mira Miró	7.8
Juan Alfonso Ortiz	7.8
Free Float	67.6

Financials (Mn EUR)

	2020	2021e	2022e	2023e
Adj. nº shares (Mn)	14.1	14.5	14.9	14.9
Total Revenues	7.3	9.4	10.9	12.0
Rec. EBITDA ⁽³⁾	-0.7	0.2	0.7	1.2
% growth	-142.9	133.6	201.4	64.7
% Rec. EBITDA/Rev.	n.a.	2.6	6.9	10.3
% Inc. EBITDA sector ⁽⁴⁾	15.3	21.9	18.6	17.0
Net Profit	-1.9	0.0	0.2	0.5
EPS (EUR)	-0.13	0.00	0.01	0.04
% growth	-236.2	97.7	571.1	149.6
Ord. EPS (EUR)	-0.12	0.00	0.01	0.04
% growth	-232.0	96.7	453.3	149.6
Rec. Free Cash Flow ⁽⁵⁾	0.8	-1.4	-0.6	-0.2
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	0.5	0.1	0.7	0.9
ND/Rec. EBITDA (x)	n.a.	0.4	1.0	0.7
ROE (%)	n.a.	n.a.	2.4	5.7
ROCE (%) ⁽⁵⁾	n.a.	3.1	4.8	7.8

Ratios & Multiples (x)⁽⁶⁾

	2020	2021e	2022e	2023e
P/E	n.a.	n.a.	n.a.	n.a.
Ord. P/E	n.a.	n.a.	n.a.	n.a.
P/BV	7.9	6.3	6.1	5.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	7.67	5.91	5.14	4.65
EV/Rec. EBITDA	n.a.	n.a.	n.a.	45.3
EV/EBIT	n.a.	n.a.	n.a.	n.a.
FCF Yield (%) ⁽⁵⁾	1.4	n.a.	n.a.	n.a.

(1) Please refer to Appendix 3.

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

(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.0Mn higher due to IFRS 16..

(4) Sector: TRBC Europe Technology Index.

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

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

2021e: a critical year for demonstrating the business' capacity for growth

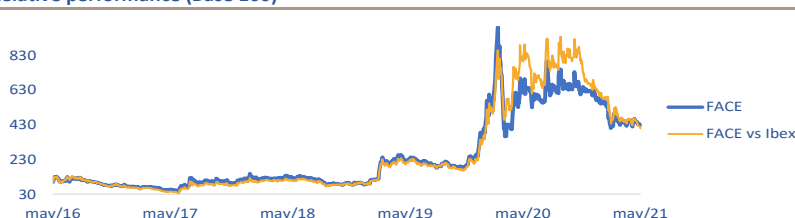
FACE CONFIRMS THE PRELIMINARY 2020 RESULTS ANNOUNCED IN JANUARY. We highlight: (i) a contraction of revenue to EUR 7.3Mn (-11.3% vs 2019) and (ii) a return to breakeven in Rec. EBITDA (EUR -0.7Mn; due to the big increase in the operating structure). Net debt fell to EUR 0.5Mn (vs EUR 2.7Mn in 2019), mainly because of the capital increases made to convert the Nice & Green warrants (a cash inflow of EUR 3.5Mn).

...THAT CAUSES US TO DOWNGRADE OUR ESTIMATES The scenario we envisage should allow FACE to consolidate revenue levels of c. EUR 12Mn in 2023e (+18.2% CAGR 2020-2023e; vs 2022e in our initial estimate), although the operating structure will keep Rec. EBITDA under pressure (< EUR 1Mn until 2022e). And, although cash generation will continue to be squeezed by working capital, we estimate ND of < EUR 1Mn (underpinned by the conversion of warrants in April 2021 for EUR 1.9Mn).

MAINTAINING THE EQUITY STORY INTACT. FACE is well placed to exploit the growth opportunity offered (on paper) by the biometrics sector: (i) a consolidated position in Latam (c. 85% of revenues), (ii) new big clients and the signing of contracts to boost its services (Caixabank and Everis are examples), (iii) a financial structure with the liquidity to accelerate growth (although access to new capital will very probably mean additional equity increases; and dilution) and (iv) operating leverage that should make possible increases in margins (but not before 2023e).

THE BIG CHALLENGE REMAINS REVENUE GROWTH. Although the current structure enables the company to aspire to higher levels of turnover, dealing with this will also be costlier. This shows that FACE's big challenge, revenue growth, has not yet disappeared. In our view, 2021e is a critical year for demonstrating the business' capacity for growth (something that should already be visible in 1H21 results). After the fall in the share price (-24.4% YTD) the EV is now EUR 56Mn (2021e EV/Sales c. 5.9x).

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-4.0	3.5	-30.7	-24.4	214.8	326.7
vs Ibxex 35	-8.9	-6.1	-48.5	-32.6	252.3	309.8
vs Ibxex Small Cap Index	-1.5	-0.7	-53.3	-28.7	177.1	122.5
vs Eurostoxx 50	-5.8	-6.2	-50.5	-33.4	178.1	210.6
vs Sector benchmark ⁽⁴⁾	-4.7	-2.1	-51.5	-32.5	100.3	89.3

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

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FacePhi (FACE) is a BME Growth company

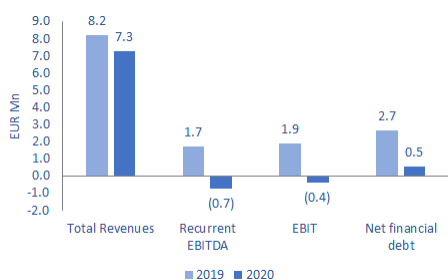
BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth 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 BME Growth (former MAB) started in July 2009. There are currently c.120 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

12m20 Results
Downgrade to estimates

We downgrade our estimates: the increase in the structure will keep EBITDA under pressure until 2022e

Chart 1. 2020 vs 2019 key figures



Note: Recurrent EBITDA that strips out capitalised expenses (EUR 1.1Mn and EUR 0.6Mn in 2020 and 2019, respectively).

FACE reported 2020 results on April 30, confirming the preliminary numbers announced in January. So already known and with no impact on the share price. We highlight: (i) the reduction of revenue to EUR 7.3Mn (-11.3% vs 2019), mainly due to the impact of the pandemic in 2020 (that limited both the commercial activity of the company and the IT budgets of its main clients; financial entities), (ii) a return to breakeven in Rec. EBITDA Rec. (EUR -0.7Mn; due to the sharp increase in the operating structure) and (iii) negative net profit of EUR -1.9Mn (vs EUR 1.3Mn in 2019) that, in addition to the factors mentioned above, was impacted by the change in the fair value of the warrants issued (EUR -0.9Mn), FX differences (EUR -0.4Mn; c. 85% of revenues were obtained in USD) and the deterioration of the South Korean subsidiary (EUR -0.3Mn).

Net debt fell to EUR 0.5Mn (vs EUR 2.7Mn) mainly because of the capital increases made to convert the Nice & Green warrants (a cash inflow of c. EUR 3.5Mn in 2020).

Chart 2. Revenue breakdown by country (2020)

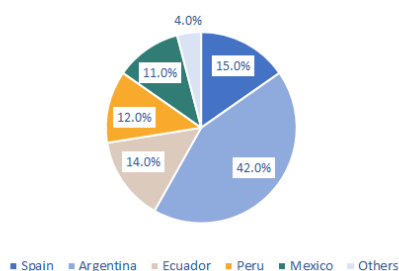
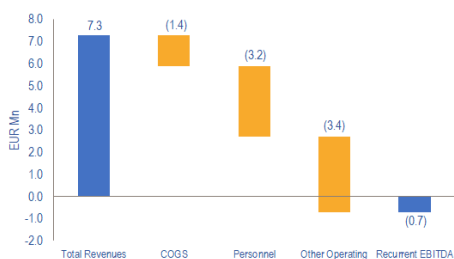


Table 1. 2020 Results

EUR Mn	12m20 Real	12m19	12m20 Real vs 12m19	2020e	2020e vs 2019	2H20	2H20 vs 2H19
Total Revenues	7.3	8.2	-11.3%	9.7	33.3%	4.7	-34.4%
Recurrent EBITDA	-0.7	1.7	-142.9%	1.4	296.3%	0.3	-89.1%
Rec. EBITDA/Revenues	-10.1%	21.0%	-31.1 p.p.	14.9%	25.1 p.p.	5.8%	-29.3 p.p.
EBITDA	-0.7	1.8	-141.3%	1.4	296.3%	0.3	-89.4%
EBITDA/Revenues	-10.1%	21.8%	-31.9 p.p.	14.9%	25.1 p.p.	5.8%	-30.2 p.p.
EBIT	-0.4	1.9	-119.0%	1.4	489.9%	0.6	-78%
PBT	-2.0	1.7	-216.5%	1.3	165.2%	-1.1	-144.5%
NP	-1.9	1.3	-243.9%	1.0	152.8%	-0.9	-142%
Ordinary NP	-1.7	1.2	-239.5%	1.0	156.9%	-0.7	-136%
Rec. FCF	0.8	-1.1	167.8%	-0.1	-110.3%		
Rec. FCF Yield	1.4%	-2.1%	3.5 p.p.	n.a.	n.a.		
Net Debt	0.5	2.7	-79.8%	1.8	236%		
ND / EBITDA	n.a.	n.a.	n.a.	1.3 x	2.0 x		

Note: Recurrent EBITDA that strips out capitalised expenses (EUR 1.1Mn and EUR 0.6Mn in 2020 and 2019, respectively).

Chart 3. From Revenue to EBITDA Rec. (2020)

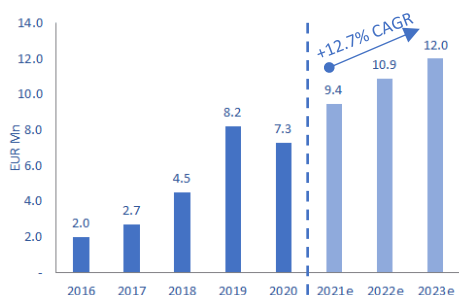


And now what? A return to double-digit growth in revenue is possible. But with a larger structure that will keep EBITDA under pressure until 2022e

2020 results (contraction of revenues accompanied by significant growth in structural costs) have led us to downgrade our estimates for 2021e-2023e (especially EBITDA). Specifically, we highlight:

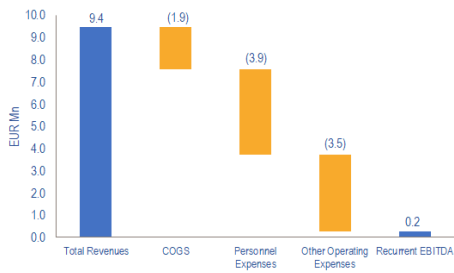
- **A return to revenue growth (2021e revenue: EUR 9.4Mn; +30% vs 2020).** Despite the decline in revenue seen in 2020, we see reasons for a return to double-digit growth rates to levels of EUR 9.4Mn in 2021e (+30% vs 2020; +15% vs 2019).

Chart 4. Revenue (2016-2023e)



The main reasons are: (i) the delay to 1H21 of contracts that were not closed in 4Q20 due to the uncertainty caused by the Covid-19 crisis (something that should be visible already in 1H21 results), (ii) the ability for continued growth in client numbers (despite the decline in volumes in 2020, FACE's customer base grew > 60%) and (iii) the opening of new markets (such as South Korea) and the development of new sectors (beyond the financial sector) where the company's technology can be applied (such as health, insurance, public administration, aeronautics, travel and transport...). All underpinned by an unstoppable trend: the digital transformation.

Chart 5. From Revenue to EBITDA Rec. (2021e)



- **But with a much bigger operating structure...** With the goal of accelerating the business' capacity for growth, FACE significantly increased its operating and commercial structure in 2020, increasing its workforce to c. 60 employees (> 100 at the date of publication of this report; vs c. 30 in 2019), boosting personnel costs to EUR 3.2Mn in 2020 (c. 40% of which was remuneration of senior management). As FACE remains focused on accelerating organic growth, we expect it to continue to grow its structure, resulting in personnel costs in 2021e of c. EUR 3.9Mn (c. 41% of 2021e revenue; Chart 5).
- **... that will keep EBITA generation under pressure until at least 2023e.** Despite the estimated revenue growth, we expect 2021e EBITDA at breakeven (EUR 0.2Mn), mainly due to the company preparing its operating structure to aspire to higher levels of revenue than those estimated for 2021e. Revenue of over EUR 12Mn (currently our central scenario for 2023e; Chart 5) should allow FACE to generate Rec. EBITDA of c. EUR 1.2Mn (2023e EBITDA margin: c. 10%).

Chart 6. Revenue, COGS and other operating expenses (2019-2023e)

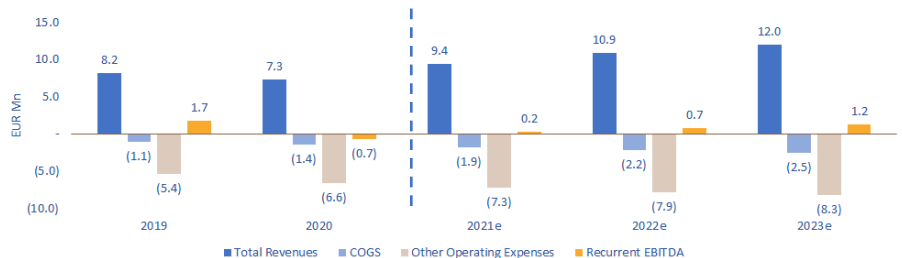
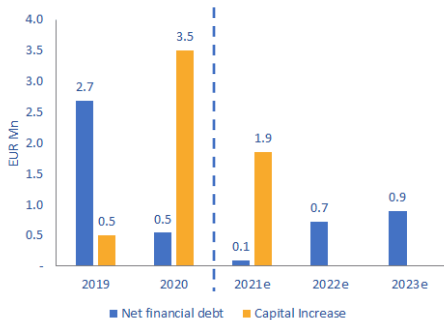


Chart 7. Net Debt vs Capital Increase (2019-2023e)



Note: In February 2021 FACE made a first issue of warrants for a maximum conversion amount of EUR 2.5Mn with Nice & Green being the sole recipient. In February and April 2021, Nice & Green exercised its conversion rights on 237,456 and 147,872 Equity Warrants for a combined conversion amount of EUR 1,350,000. In addition, on April 21 2021, Nice & Green announced it had exercised its conversion rights on 137,129 additional warrants in an amount of EUR 500,000. This means that, at the date of this report, Nice & Green can still exercise its conversion rights on the warrants issued to cover the remaining EUR 650,000 of the first tranche (option valid until 19 May 2021).

- **With a financial position that should enable the acceleration of growth (albeit underpinned by several capital increases).** In December 2020 FACE announced new financing agreements of up to EUR 33Mn: (i) a new agreement with Nice & Green (for up to EUR 20Mn) via an issue of equity warrants (at the date of this report FACE had already issued EUR 2.5Mn, which will imply dilution; see note in Chart 7) and (ii) the signing of a syndicated loans with four banks for up to EUR 13Mn in three tranches: (a) a EUR 6Mn loan, (b) an ordinary revolving loan (EUR 5Mn) and (c) an extraordinary revolving loan for up to EUR 2Mn (the last two had not yet been drawn down at the 2020 close).

We believe the liquidity obtained from these agreements will allow FACE to boost the growth of its business (currently still being carried out mainly in Latam), increase the size of the workforce and accelerate the opening of new markets (next step the US?) or the execution of corporate deals (the acquisition of Ecercic in 2020 is an example).

Table 2. Estimates downgrade (2021e-2023e)

EUR Mn	2021e (New)	2021e	Review (%)	2022e (New)	2022e	Review (%)	2023e (New)
Total Revenues	9.4	10.9	-13.6%	10.9	12.0	-9.8%	12.0
Recurrent EBITDA	0.2	2.0	-87.5%	0.7	2.4	-69.5%	1.2
Recurrent EBITDA growth	133.6%	36.7%	97 p.p.	201.4%	23.6%	178 p.p.	64.7%
Rec. EBITDA/Revenues	2.6%	18.1%	-16 p.p.	6.9%	20.3%	-13 p.p.	10.3%
EBIT	0.2	1.9	-86.8%	0.6	2.3	-74.2%	1.0
Net Profit	0.0	1.3	-103.3%	0.2	1.7	-87.4%	0.5
Recurrent Free Cash Flow	-1.4	0.6	-327.6%	-0.6	1.1	-158.5%	-0.2
ND / EBITDA	0.4 x	0.6 x	-0.3 x	1.0 x	0.1 x	0.9 x	0.7 x

The conclusion is simple. In our opinion, the change of marketing model (from direct selling to selling through partners such as Everis), plus the significant growth in its operating structure (already visible in 2020 results), offer pros and cons: (i) it reduces the commercial risk (of volume growth), in exchange for (ii) paying a price in terms of operating profitability, assuming lower levels of EBITDA in the short term (Rec. EBITDA < EUR 1Mn until 2022e) at the expense of being able to offset this with higher revenue growth in the future.

Despite the downgrade to our estimates, FACE's equity story remains intact. On paper, the biometrics sector offers an opportunity. And FACE is well placed to make the most of this thanks to: (i) a consolidated position in Latam (over 85% of its activity), (ii) new big clients and the signing of contracts to boost its services (Caixabank and Everis are examples), (iii) a financial structure with the liquidity to accelerate growth (although access to new capital via the issue of warrants under the agreement with Nice & Green will mean additional equity increases; and dilution) and (iv) operating leverage that should enable increases in margins (but not until revenue levels of c. EUR 12Mn are exceeded, currently our central scenario for 2023e).

The model reveals the opportunity (post 2023e). However, everything hinges on the micro variable of accelerating revenue growth. Because, although the current structure enables the company to aspire to higher levels of turnover, dealing with this will also be costlier: currently FACE would need to reach a level of revenue of c. EUR 9Mn to maintain breakeven in EBITDA (vs EBITDA of EUR 1.7Mn in 2019, with turnover of EUR 8.2Mn). This shows that FACE's big challenge, revenue growth, has not yet disappeared. In our view, 2021e is a critical year for demonstrating its capacity for growth (something that should already be visible in 1H21 results). After the fall in the share price (-24.4% YTD) the EV is now EUR 56Mn (2021e EV/Sales c. 5.9x).

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e		
Intangible assets	1.0	1.1	1.2	1.6	4.1	4.1	3.9	3.7		
Fixed assets	0.0	0.0	0.0	0.0	0.2	0.5	0.8	1.2		
Other Non Current Assets	0.1	-	0.4	0.1	0.5	0.5	0.5	0.5		
Financial Investments	0.6	0.3	0.5	0.7	0.2	0.2	0.2	0.2		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	0.8	2.8	3.8	8.3	4.6	5.9	6.7	7.4		
Total assets	2.5	4.2	6.0	10.7	9.5	11.1	12.1	12.9		
Equity	0.9	1.4	2.6	4.4	7.0	8.8	9.0	9.6		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	1.5	2.0	1.9	2.7	0.5	0.1	0.7	0.9		
Current Liabilities	0.2	0.7	1.4	3.6	1.8	2.1	2.2	2.4		
Equity & Total Liabilities	2.5	4.2	6.0	10.7	9.5	11.1	12.1	12.9		
										CAGR
P&L (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Total Revenues	2.0	2.7	4.5	8.2	7.3	9.4	10.9	12.0	38.0%	18.2%
<i>Total Revenues growth</i>	<i>392.7%</i>	<i>34.8%</i>	<i>66.0%</i>	<i>82.7%</i>	<i>-11.3%</i>	<i>29.8%</i>	<i>15.0%</i>	<i>10.5%</i>		
COGS	(0.0)	(0.0)	(0.1)	(1.1)	(1.4)	(1.9)	(2.2)	(2.5)		
Gross Margin	2.0	2.7	4.4	7.1	5.9	7.6	8.6	9.5	30.8%	17.3%
<i>Gross Margin/Revenues</i>	<i>99.8%</i>	<i>99.5%</i>	<i>97.3%</i>	<i>86.6%</i>	<i>80.7%</i>	<i>80.0%</i>	<i>79.5%</i>	<i>79.0%</i>		
Personnel Expenses	(1.1)	(1.2)	(1.7)	(1.9)	(3.2)	(3.9)	(4.2)	(4.5)		
Other Operating Expenses	(1.0)	(1.8)	(2.5)	(3.4)	(3.4)	(3.5)	(3.7)	(3.7)		
Recurrent EBITDA	(0.1)	(0.3)	0.2	1.7	(0.7)	0.2	0.7	1.2	-57.3%	54.2%
<i>Recurrent EBITDA growth</i>	<i>87.2%</i>	<i>-174.1%</i>	<i>150.8%</i>	<i>923.7%</i>	<i>-142.9%</i>	<i>133.6%</i>	<i>201.4%</i>	<i>64.7%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.7%</i>	<i>21.0%</i>	<i>n.a.</i>	<i>2.6%</i>	<i>6.9%</i>	<i>10.3%</i>		
Restructuring Expense & Other non-rec.	0.0	0.8	0.6	0.1	-	-	-	-		
EBITDA	(0.1)	0.5	0.7	1.8	(0.7)	0.2	0.7	1.2	-64.1%	54.2%
Depreciation & Provisions	(0.2)	(0.3)	(0.3)	(0.5)	(0.7)	(1.0)	(1.2)	(1.2)		
Capitalized Expense	0.3	0.4	0.5	0.6	1.1	1.0	1.0	1.0		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	(0.0)	0.6	0.9	1.9	(0.4)	0.2	0.6	1.0	n.a.	69.2%
<i>EBIT growth</i>	<i>97.2%</i>	<i>n.a.</i>	<i>59.8%</i>	<i>112.4%</i>	<i>-119.0%</i>	<i>168.0%</i>	<i>139.4%</i>	<i>74.4%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>20.9%</i>	<i>20.2%</i>	<i>23.4%</i>	<i>n.a.</i>	<i>2.6%</i>	<i>5.5%</i>	<i>8.6%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.0)	(0.1)	(0.1)	(0.2)	(1.4)	(0.3)	(0.3)	(0.3)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.1)	0.5	0.8	1.7	(1.7)	(0.1)	0.3	0.7	n.a.	34.1%
<i>Ordinary Profit Growth</i>	<i>93.3%</i>	<i>993.7%</i>	<i>78.3%</i>	<i>102.7%</i>	<i>-200.5%</i>	<i>96.6%</i>	<i>584.4%</i>	<i>149.6%</i>		
Extraordinary Results	-	(0.0)	0.0	0.0	(0.3)	-	-	-		
Profit Before Tax	(0.1)	0.5	0.9	1.7	(2.0)	(0.1)	0.3	0.7	n.a.	33.0%
Tax Expense	-	(0.1)	0.3	(0.4)	0.1	0.0	(0.1)	(0.2)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>22.9%</i>	<i>n.a.</i>	<i>25.0%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.1)	0.4	1.2	1.3	(1.9)	(0.0)	0.2	0.5	n.a.	31.7%
<i>Net Profit growth</i>	<i>93.3%</i>	<i>789.1%</i>	<i>219.9%</i>	<i>10.4%</i>	<i>-243.9%</i>	<i>97.6%</i>	<i>584.4%</i>	<i>149.6%</i>		
Ordinary Net Profit	(0.1)	(0.4)	0.3	1.2	(1.7)	(0.1)	0.2	0.5	n.a.	32.2%
<i>Ordinary Net Profit growth</i>	<i>91.3%</i>	<i>-389.2%</i>	<i>179.5%</i>	<i>341.4%</i>	<i>-239.5%</i>	<i>96.6%</i>	<i>463.3%</i>	<i>149.6%</i>		
										CAGR
Cash Flow (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Recurrent EBITDA						0.2	0.7	1.2	-57.3%	54.2%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(1.1)	(0.7)	(0.5)		
Recurrent Operating Cash Flow						-0.8	0.1	0.7	37.2%	-18.2%
CAPEX						(0.3)	(0.3)	(0.4)		
Net Financial Result affecting the Cash Flow						(0.3)	(0.3)	(0.3)		
Tax Expense						0.0	(0.1)	(0.2)		
Recurrent Free Cash Flow						(1.4)	(0.6)	(0.2)	30.8%	-30.6%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(1.4)	(0.6)	(0.2)	-13.5%	49.4%
Capital Increase						1.9	-	-		
Dividends						-	-	-		
Net Debt Variation						(0.5)	0.6	0.2		

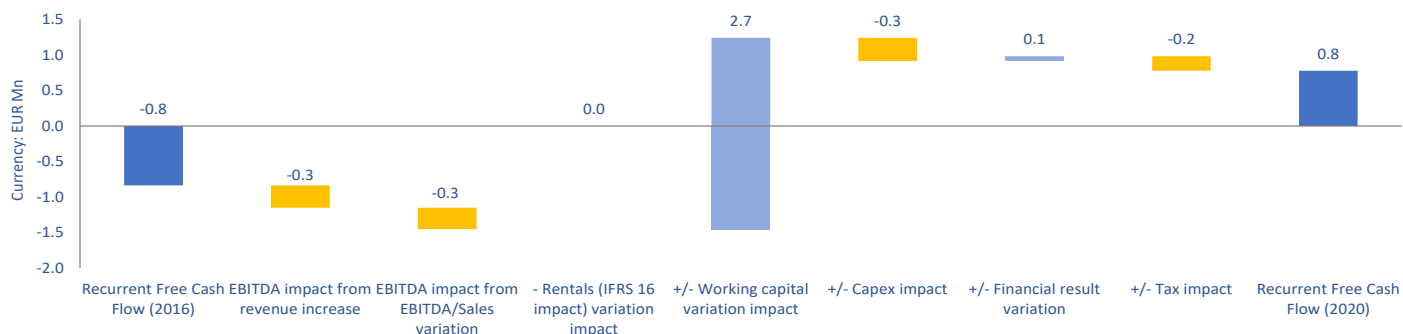
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.0Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

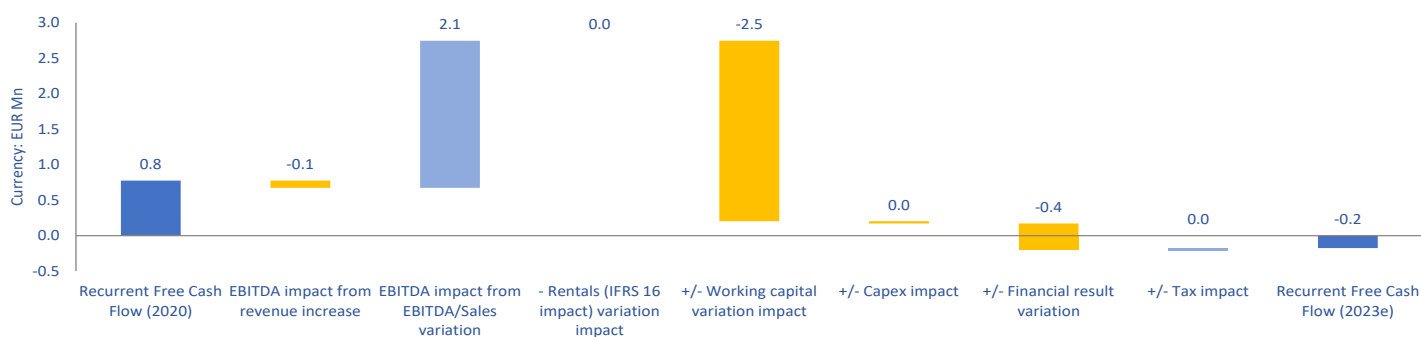
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
								17-20	20-23e
Recurrent EBITDA	(0.3)	0.2	1.7	(0.7)	0.2	0.7	1.2	-30.7%	54.2%
<i>Recurrent EBITDA growth</i>	-174.1%	150.8%	923.7%	-142.9%	133.6%	201.4%	64.7%		
<i>Rec. EBITDA/Revenues</i>	n.a.	3.7%	21.0%	n.a.	2.6%	6.9%	10.3%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.5)	(0.3)	(2.4)	2.0	(1.1)	(0.7)	(0.5)		
= Recurrent Operating Cash Flow	(1.8)	(0.1)	(0.6)	1.3	(0.8)	0.1	0.7	39.0%	-18.2%
<i>Rec. Operating Cash Flow growth</i>	-126.3%	92.2%	-349.1%	295.6%	-165.0%	109.2%	815.6%		
<i>Rec. Operating Cash Flow / Sales</i>	n.a.	n.a.	n.a.	17.3%	n.a.	0.7%	5.8%		
- CAPEX	-	-	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)		
- Net Financial Result affecting Cash Flow	(0.0)	(0.1)	(0.2)	0.0	(0.3)	(0.3)	(0.3)		
- Taxes	(0.1)	0.3	(0.1)	(0.2)	0.0	(0.1)	(0.2)		
= Recurrent Free Cash Flow	(2.0)	0.1	(1.1)	0.8	(1.4)	(0.6)	(0.2)	33.7%	-30.6%
<i>Rec. Free Cash Flow growth</i>	-137.7%	105.8%	n.a.	167.8%	-279.7%	54.7%	72.3%		
<i>Rec. Free Cash Flow / Revenues</i>	n.a.	2.6%	n.a.	10.7%	n.a.	n.a.	n.a.		
- Restructuring expenses & others	0.8	0.6	0.1	-	-	-	-		
- Acquisitions / + Divestments	-	-	(0.2)	(2.1)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.0)	0.0	-	-	-	-	-		
= Free Cash Flow	(1.2)	0.7	(1.2)	(1.4)	(1.4)	(0.6)	(0.2)	-5.2%	49.4%
<i>Free Cash Flow growth</i>	-42.3%	159.3%	-281.2%	-8.4%	-3.1%	54.7%	72.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	n.a.	0.2%	n.a.	1.4%	n.a.	n.a.	n.a.		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	1.2%	n.a.	n.a.	n.a.	n.a.	n.a.		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(0.8)	(2.0)	0.1	(1.1)	0.8	(1.4)	(0.6)		
EBITDA impact from revenue increase	(0.0)	(0.2)	0.1	(0.2)	(0.2)	0.0	0.1		
EBITDA impact from EBITDA/Sales variation	(0.2)	0.7	1.4	(2.3)	1.2	0.5	0.4		
= Recurrent EBITDA variation	(0.2)	0.5	1.6	(2.5)	1.0	0.5	0.5		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	(0.8)	1.2	(2.1)	4.4	(3.1)	0.4	0.1		
= Recurrent Operating Cash Flow variation	(1.0)	1.7	(0.5)	1.9	(2.1)	0.9	0.6		
+/- CAPEX impact	-	-	(0.2)	(0.1)	0.0	(0.0)	(0.0)		
+/- Financial result variation	(0.0)	(0.0)	(0.2)	0.3	(0.4)	(0.0)	(0.0)		
+/- Tax impact	(0.1)	0.4	(0.4)	(0.1)	0.2	(0.1)	(0.1)		
= Recurrent Free Cash Flow variation	(1.2)	2.1	(1.3)	1.9	(2.2)	0.8	0.5		
Recurrent Free Cash Flow	(2.0)	0.1	(1.1)	0.8	(1.4)	(0.6)	(0.2)		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	0.6	0.9	1.9	(0.4)	0.2	0.6	1.0	-38.3%	69.2%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	25.0%	0.0%	0.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	-	-	(0.5)	-	-	(0.1)	(0.3)		
Recurrent EBITDA	(0.3)	0.2	1.7	(0.7)	0.2	0.7	1.2	-30.7%	54.2%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.5)	(0.3)	(2.4)	2.0	(1.1)	(0.7)	(0.5)		
= Recurrent Operating Cash Flow	(1.8)	(0.1)	(0.6)	1.3	(0.8)	0.1	0.7	39.0%	-18.2%
- CAPEX	-	-	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)		
- Taxes (pre- Financial Result)	-	-	(0.5)	-	-	(0.1)	(0.3)		
= Recurrent Free Cash Flow (To the Firm)	(1.8)	(0.1)	(1.3)	0.9	(1.1)	(0.4)	0.1	35.8%	-57.6%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-126.3%	92.2%	-838.3%	169.3%	-218.1%	63.9%	117.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	n.a.	n.a.	n.a.	12.9%	n.a.	n.a.	0.6%		
- Acquisitions / + Divestments	-	-	(0.2)	(2.1)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.0)	0.0	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(1.8)	(0.1)	(1.5)	(1.2)	(1.1)	(0.4)	0.1	13.5%	27.2%
<i>Free Cash Flow (To the Firm) growth</i>	-126.4%	92.7%	n.a.	21.2%	7.7%	63.9%	117.9%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	n.a.	n.a.	n.a.	1.7%	n.a.	n.a.	0.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1%		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.0Mn higher due to IFRS 16.

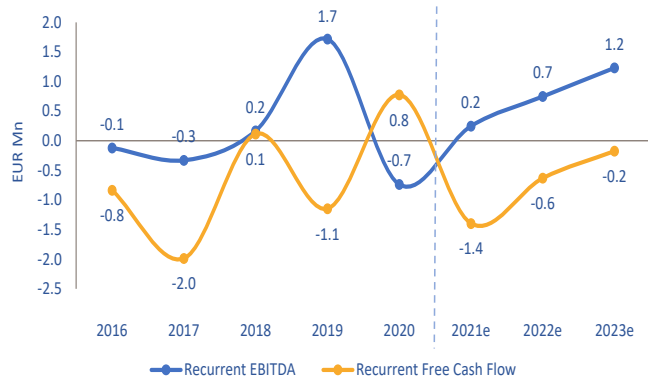
Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)



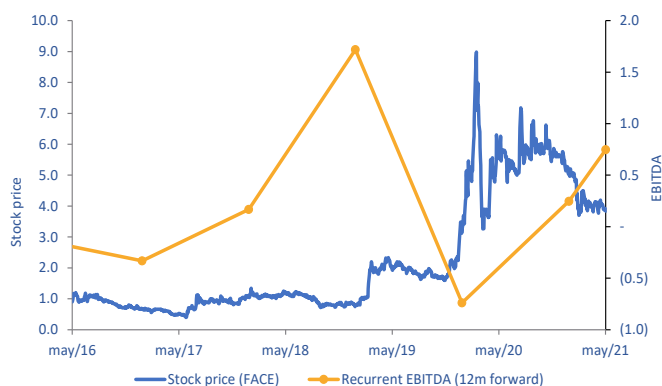
Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)



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	55.4	
+ Minority Interests	-	12m Results 2020
+ Provisions & Other L/T Liabilities	0.1	12m Results 2020
+ Net financial debt	0.5	12m Results 2020
- Financial Investments	0.2	12m Results 2020
+/- Others		
Enterprise Value (EV)	55.8	

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e	10-20	20-23e
Total Revenues					0.0	0.4	2.0	2.7	4.5	8.2	7.3	9.4	10.9	12.0	n.a.	18.2%
<i>Total Revenues growth</i>					274.8%	n.a.	392.7%	34.8%	66.0%	82.7%	-11.3%	29.8%	15.0%	10.5%		
EBITDA					(1.4)	(0.9)	(0.1)	0.5	0.7	1.8	(0.7)	0.2	0.7	1.2	n.a.	54.2%
<i>EBITDA growth</i>					-84.1%	34.0%	88.7%	584.2%	48.5%	143.8%	-141.3%	133.6%	201.4%	64.7%		
<i>EBITDA/Sales</i>					n.a.	n.a.	n.a.	18.2%	16.3%	21.8%	n.a.	2.6%	6.9%	10.3%		
Net Profit					(1.1)	(0.8)	(0.1)	0.4	1.2	1.3	(1.9)	(0.0)	0.2	0.5	n.a.	31.7%
<i>Net Profit growth</i>					-254.6%	25.7%	93.3%	789.1%	219.9%	10.4%	-243.9%	97.6%	584.4%	149.6%		
Adjusted number shares (Mn)					9.6	11.9	13.1	13.1	13.2	13.3	14.1	14.5	14.9	14.9		
EPS (EUR)					-0.11	-0.07	0.00	0.03	0.09	0.10	-0.13	0.00	0.01	0.04	n.a.	31.4%
<i>EPS growth</i>					99.9%	40.1%	93.9%	n.a.	n.a.	8.9%	n.a.	97.7%	n.a.	n.a.		
Ord. EPS (EUR)					-0.11	-0.07	-0.01	-0.03	0.02	0.09	-0.12	0.00	0.01	0.04	n.a.	31.8%
<i>Ord. EPS growth</i>					99.9%	36.3%	92.1%	n.a.	n.a.	n.a.	n.a.	96.7%	n.a.	n.a.		
CAPEX					-	-	-	-	-	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)		
<i>CAPEX/Sales %</i>					0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	4.5%	3.0%	3.0%	3.0%		
Free Cash Flow					(1.4)	(0.8)	(0.8)	(1.2)	0.7	(1.2)	(1.4)	(1.4)	(0.6)	(0.2)	n.a.	49.4%
<i>ND/EBITDA (x) ⁽²⁾</i>					n.a.	n.a.	n.a.	4.2x	2.6x	1.5x	n.a.	0.4x	1.0x	0.7x		
<i>P/E (x)</i>					n.a.	n.a.	n.a.	39.2x	8.4x	32.3x	n.a.	n.a.	n.a.	n.a.		
<i>EV/Sales (x)</i>					9.26x	4.50x	5.35x	2.22x	5.05x	10.07x	5.91x	5.14x	4.65x			
<i>EV/EBITDA (x) ⁽²⁾</i>					n.a.	n.a.	29.3x	13.6x	23.2x	n.a.	n.a.	n.a.	n.a.	45.3x		
<i>Absolute performance</i>					-72.5%	78.9%	60.3%	-31.2%	316.0%	62.8%	-24.4%					
<i>Relative performance vs Ibx35</i>					-70.3%	82.6%	49.3%	-19.1%	272.0%	92.6%	-32.6%					

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 Refinitiv.

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 peers 2021e

		Biometrics (Niche Players)					Companies with exposure to biometrics					
		Egis Technology	Elan Microelectroni cs Corp.	Mitek Systems, Inc.	OneSpan	Secunet	Average	Diebold Nixdorf Technology	NEC	NICE	Synaptics	FACE
Market data	EUR Mn	6462.TWO	2458.TW	MITK.O	OSPN.O	YNSG.DE		DBD	6701.T	NICE.O	SYNA.O	FACE.MC
	Country	Taiwan	Taiwan	USA	USA	Germany		USA	Japan	Israel	USA	Spain
	Market cap	356.7	1,765.8	566.4	850.1	2,177.5		879.9	13,116.8	12,109.9	3,786.5	55.4
	Enterprise value (EV)	341.7	1,609.9	510.8	755.4	2,094.6		2,527.7	18,158.0	11,516.4	3,900.8	55.8
Basic financial information	Total Revenues	186.0	578.4	112.6	181.7	330.0		3,366.0	22,647.5	1,483.6	1,180.4	9.4
	Total Revenues growth	1.1%	29.5%	15.4%	2.5%	15.5%	12.8%	4.9%	-3.4%	9.5%	7.4%	29.8%
	2y CAGR (2021e - 2023e)	n.a.	15.1%	n.a.	n.a.	2.5%	8.8%	n.a.	3.7%	10.0%	2.8%	12.7%
	EBITDA	26.7	179.9	34.4	(0.3)	67.3		404.8	2,249.0	485.3	361.9	0.2
	EBITDA growth	-6.5%	38.0%	22.9%	-105.2%	12.6%	-7.6%	60.6%	-7.3%	38.6%	15.3%	133.6%
	2y CAGR (2021e - 2023e)	n.a.	13.2%	n.a.	n.a.	2.5%	7.9%	n.a.	7.9%	8.2%	n.a.	n.a.
	EBITDA/Revenues	14.4%	31.1%	30.5%	n.a.	20.4%	24.1%	12.0%	9.9%	32.7%	30.7%	2.6%
	EBIT	24.6	177.4	28.7	(2.6)	59.1		343.7	n.a.	433.0	331.2	0.2
	EBIT growth	-2.3%	42.2%	4.3%	40.4%	14.3%	19.8%	235.6%	n.a.	116.1%	16.5%	168.0%
	2y CAGR (2021e - 2023e)	n.a.	13.2%	n.a.	n.a.	2.4%	7.8%	n.a.	n.a.	12.4%	n.a.	n.a.
	EBIT/Revenues	13.2%	30.7%	25.5%	n.a.	17.9%	21.8%	10.2%	n.a.	29.2%	28.1%	2.6%
	Net Profit	20.8	148.5	33.6	(2.7)	40.2		136.4	706.3	342.9	283.9	(0.0)
	Net Profit growth	11.8%	57.3%	31.9%	40.1%	14.9%	31.2%	161.8%	-17.2%	112.4%	13.0%	97.6%
2y CAGR (2021e - 2023e)	n.a.	11.2%	n.a.	n.a.	2.5%	6.8%	n.a.	14.8%	11.6%	n.a.	n.a.	
CAPEX/Sales %	1.0%	0.6%	1.1%	1.8%	2.4%	1.4%	2.1%	2.4%	2.1%	1.7%	-3.0%	
Free Cash Flow	22.4	136.9	29.2	0.8	31.2		131.5	1,175.0	418.4	221.1	(1.4)	
Net financial debt	(52.7)	(111.6)	(100.9)	n.a.	(107.8)		1,525.9	3,457.9	(894.7)	(142.5)	0.1	
ND/EBITDA (x)	(2.0)	(0.6)	(2.9)	n.a.	(1.6)	(1.8)	3.8	1.5	(1.8)	(0.4)	0.4	
Pay-out	76.6%	77.3%	n.a.	n.a.	50.1%	68.0%	0.0%	22.4%	0.0%	0.0%	0.0%	
Multiples and Ratios	P/E (x)	18.4	11.7	17.9	n.a.	53.9	25.5	6.5	18.3	37.5	14.8	n.a.
	P/BV (x)	3.7	5.3	n.a.	4.1	17.2	7.6	n.a.	1.6	5.0	4.1	6.3
	EV/Revenues (x)	1.8	2.8	4.5	4.2	6.3	3.9	0.8	0.8	7.8	3.3	5.9
	EV/EBITDA (x)	12.8	8.9	14.9	n.a.	31.1	16.9	6.2	8.1	23.7	10.8	n.a.
	EV/EBIT (x)	13.9	9.1	17.8	n.a.	35.4	19.1	7.4	n.a.	26.6	11.8	n.a.
	ROE	21.1	47.4	20.6	n.a.	35.2	31.1	n.a.	9.6	13.7	23.2	n.a.
	FCF Yield (%)	6.3	7.8	5.2	0.1	1.4	4.1	14.9	9.0	3.5	5.8	n.a.
	DPS	0.23	0.39	n.a.	n.a.	3.11	1.24	0.00	0.61	0.00	0.00	0.00
Dvd Yield	4.6%	6.8%	n.a.	n.a.	0.9%	4.1%	0.0%	1.3%	0.0%	0.0%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Refinitiv). 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

	2021e	2022e	2023e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(1.1)	(0.4)	0.1	n.a.		
Market Cap	55.4	At the date of this report				
Net financial debt	0.5	Debt net of Cash (12m Results 2020)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	$K_d = \text{Cost of Net Debt} * (1-T)$			3.4%	3.8%
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.2	B (Refinitiv and Lighthouse)			1.1	1.3
Cost of Equity	11.3%	$K_e = R_f + (R * B)$			9.8%	12.8%
Equity / (Equity + Net Debt)	99.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	1.0%	D			=	=
WACC	11.2%	$WACC = K_d * D + K_e * E$			9.8%	12.8%
G "Fair"	2.5%				2.0%	1.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 21e	EPS 21e-23e	EV/EBITDA 21e	EBITDA 21e-23e	EV/Sales 21e	Revenues 21e-23e	EBITDA/Sales 21e	FCF Yield 21e	FCF 21e-23e
Egis Technology	6462.TWO	356.7	18.4	n.a.	12.8	n.a.	1.8	n.a.	14.4%	6.3%	n.a.
Elan Microelectronics Corp.	2458.TW	1,765.8	11.7	12.5%	8.9	13.2%	2.8	15.1%	31.1%	7.8%	9.3%
Mitek Systems, Inc.	MITK.O	566.4	17.9	n.a.	14.9	n.a.	4.5	n.a.	30.5%	5.2%	n.a.
OneSpan	OSPN.O	850.1	n.a.	n.a.	n.a.	n.a.	4.2	n.a.	n.a.	0.1%	n.a.
Secunet	YSNG.DE	2,177.5	53.9	2.5%	31.1	2.5%	6.3	2.5%	20.4%	1.4%	14.9%
Biometrics (Niche Players)			25.5	7.5%	16.9	7.9%	3.9	8.8%	24.1%	4.1%	12.1%
Diebold Nixdorf Technology	DBD	879.9	6.5	n.a.	6.2	n.a.	0.8	n.a.	12.0%	14.9%	n.a.
NEC	6701.T	13,116.8	18.3	14.8%	8.1	7.9%	0.8	3.7%	9.9%	9.0%	9.5%
NICE	NICE.O	12,109.9	37.5	12.9%	23.7	8.2%	7.8	10.0%	32.7%	3.5%	3.2%
Synaptics	SYNA.O	3,786.5	14.8	-6.4%	10.8	n.a.	3.3	2.8%	30.7%	5.8%	n.a.
Companies with exposure to biometrics			19.3	7.1%	12.2	8.1%	3.2	5.5%	21.3%	8.3%	6.4%
FACE	FACE.MC	55.4	n.a.	n.a.	n.a.	n.a.	5.9	12.7%	2.6%	n.a.	64.6%

Free Cash Flow sensitivity analysis (2022e)

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

Scenario	EBITDA/Sales 22e	EBITDA 22e	EV/EBITDA 22e
Max	7.9%	0.9	65.2x
Central	6.9%	0.7	74.7x
Min	5.9%	0.6	87.4x

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

FCF Rec. EUR Mn	CAPEX/Sales 22e				Rec. FCF/Yield 22e		
EBITDA 22e	1.5%	3.0%	4.5%	Scenario			
0.9	(0.4)	(0.5)	(0.7)	Max	n.a.	n.a.	n.a.
0.7	(0.5)	(0.6)	(0.8)	Central	n.a.	n.a.	n.a.
0.6	(0.6)	(0.7)	(0.9)	Min	n.a.	n.a.	n.a.

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
10-May-2021	n.a.	3.84	n.a.	n.a.	Estimates downgrade	David López Sánchez
01-Feb-2021	n.a.	4.40	n.a.	n.a.	12m 2020 Preliminary results	David López Sánchez
27-Jul-2020	n.a.	6.42	n.a.	n.a.	Estimates downgrade	David López Sánchez
07-May-2020	n.a.	5.54	n.a.	n.a.	Review of estimates	David López Sánchez
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m 2019 Preliminary results	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initiation of Coverage	David López Sánchez

