

EQUITY - SPAIN

Sector: Software

 Closing price: EUR 3.48 (8 Feb 2023)
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12m 2022 Preliminary results

Independent Equity Research

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Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

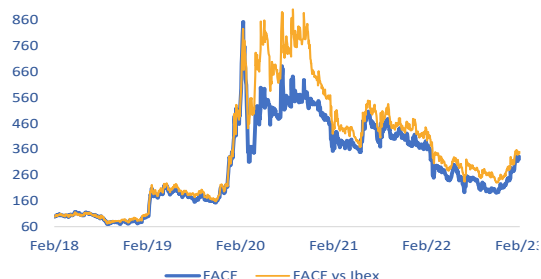
FacePhi (FACE) is a Spanish tech company based in Alicante and with offices in South Korea, Uruguay and the UK. It specialises in the development and marketing of software for identity authentication via digital onboarding solutions and biometric authentication. It is present in Latam (today its main market; c. 85% of 2021 revenue) and has a strong position in the financial sector.

Market Data

Market Cap (Mn EUR and USD)	59.8	64.1
EV (Mn EUR and USD) ⁽²⁾	64.0	68.7
Shares Outstanding (Mn)	17.2	
-12m (Max/Med/Mín EUR)	3.95 / 2.66 / 2.00	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	22.0	
Factset / Bloomberg	FACE-ES / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)⁽⁵⁾

Nice&Green	11.1
Salvador Martí Varó	7.4
Javier Mira Miró	6.0
Juan Alfonso Ortiz	5.6
Free Float	64.6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	20.0	74.0	-10.5	231.4
vs Ibex 35	13.2	50.8	-15.9	250.4
vs Ibex Small Cap Index	8.1	43.0	-14.9	160.4
vs Eurostoxx 50	14.5	54.6	-12.2	165.9
vs Sector benchmark ⁽⁴⁾	9.2	45.7	-10.4	107.2

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

(2) Please refer to Appendix 2.

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

(4) vs Stoxx Europe 600 Technology.

(5) Others: José Cristóbal Callado Solana 5.3%

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

Strong growth in sales (+68% vs 2021), enabling breakeven in EBITDA to be exceeded. In line

FACE has released preliminary 2022 results with a breakdown of the main (unaudited) P&L items (without including balance sheet information). Audited 2022 results will be released in April 2023. We highlight:

VERY STRONG REVENUE GROWTH (EUR 22.2 MN; +68% VS 2021). In 2022 FACE confirmed its ability to grow revenue at very high rates, achieving turnover of EUR 22.2Mn (+68% vs 2021 and +11% vs our estimates). This growth is a consequence of: (i) a change in the business model (from developing customised solutions to an integrated solution under a “plug and play” model with Facephi Identity Platform, that already accounts for c. 55% of revenue), (ii) diversification of the customer portfolio, with the application of its solutions beyond the financial sector (Fintech, health, retail, shared mobility...) and (iii) a focus on international expansion with the opening of new subsidiaries in Montevideo and London (c. 85% of revenue from outside Spain, mainly Latam).

MAINTAINING A GROSS MARGIN OF OVER 85% (IN LINE). The 2022 gross margin was EUR 19Mn (85.7% o/revenues; in line with 2021 and our estimates). This improvement is explained by the change in the business model and less provisioning of third party technology.

ALREADY DRIVING RECURRENT EBITDA ABOVE BREAKEVEN (EUR 0.5MN IN 2022 VS EUR -0.5MN IN 2021). In 2022 FACE significantly boosted its operating and commercial structure. As reflected by: (i) significant growth in the headcount (to over 220 employees in 2022; +30% vs 2021), driving personnel costs to EUR 11.1Mn (vs EUR 6.2Mn in 2021) and (ii) growth in other operating costs to EUR 7.7Mn (vs EUR 5.6Mn in 2021). And, despite the strong growth in structure, 2022 Rec. EBITDA was above breakeven (EUR 0.5Mn vs EUR -0.5Mn in 2021). Below Rec. EBITDA we find capitalised expenses (EUR 3.8Mn) and D&A (EUR c. 2.0Mn); putting EBIT at EUR 1.8Mn (vs EUR -0.6Mn in 2021), in line with estimates.

IN CONCLUSION, RESULTS IN LINE IN EBITDA AND EBIT, ALTHOUGH BETTER THAN EXPECTED IN REVENUE (+11% VS OUR ESTIMATE). Results that confirm FACE’s ability to grow at very high rates. Although perhaps most interestingly, despite the step-up in size of its operating structure (doubling personnel expenses), the company has already exceeded breakeven in Rec. EBITDA. This continues to point to significant potential in Rec. EBITDA from 2023e.

AND NOW WHAT? OPERATING LEVERAGE SHOULD ENABLE AN IMPROVEMENT IN MARGINS IN 2023E RESULTS. FACE has a scalable business model and exposure to mega-trends (biometric technology applied to the protection of digital identity), that should enable the company to maintain double-digit growth in revenue in the coming years (despite the macro). We maintain our estimate for Rec. EBITDA of EUR 1.9Mn in 2023e (purely by taking advantage of its operating leverage). Although after the good figure for revenue in the 2022 preliminary results, the risk of changes to our 2023e estimates is on the upside. Despite the share price performance (+40% YTD), our 23e numbers would be trading at an EV/Sales of c.2.5x vs 2.9x for its main peers, with a positive growth differential in favour of FACE (growth in 22e-24e revenue c. +16% CAGR vs < 10% for its peers).

FacePhi (FACE) is a BME Growth company

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Appendix 1. Results table

EUR Mn	2022 Real	2021	2022 vs 2021	2022e
Total Revenues	22.2	13.2	68%	20.1
Recurrent EBITDA ¹	0.5	-0.5	-203%	0.9
Rec. EBITDA/Revenues	2.2%	-3.6%	6%	4.4%
EBITDA ¹	0.5	-1.6	-131%	0.9
EBITDA/Revenues	2.2%	-11.9%	14%	4.4%
EBIT	1.8	-0.6	-403%	1.9

(1) Recurrent EBITDA and EBITDA adjusted to exclude the capitalisation of work carried out by the company on its own assets (EUR 3,8Mn and EUR 2,2Mn in 2022 and 2021, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	59.8	
+ Minority Interests	-	6m Results 2022
+ Provisions & Other L/T Liabilities	0.1	6m Results 2022
+ Net financial debt	4.3	6m Results 2022
- Financial Investments	0.2	6m Results 2022
+/- Others		
Enterprise Value (EV)	64.0	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
09-Feb-2023	n.a.	3.48	n.a.	n.a.	12m 2022 Preliminary results	David López Sánchez
05-Aug-2022	n.a.	2.62	n.a.	n.a.	6m 2022 Preliminary results	David López Sánchez
17-May-2022	n.a.	2.66	n.a.	n.a.	Estimates upgrade	David López Sánchez
08-Feb-2022	n.a.	4.03	n.a.	n.a.	12m 2021 Preliminary results	David López Sánchez
27-Jul-2021	n.a.	4.65	n.a.	n.a.	6m 2021 Preliminary results	David López Sánchez
10-May-2021	n.a.	3.84	n.a.	n.a.	12m Results 2020 - Estimates downgrade	David López Sánchez
01-Feb-2021	n.a.	4.40	n.a.	n.a.	12m 2020 Preliminary results	David López Sánchez
27-Jul-2020	n.a.	6.42	n.a.	n.a.	Estimates downgrade	David López Sánchez
07-May-2020	n.a.	5.54	n.a.	n.a.	Review of estimates	David López Sánchez
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m 2019 Preliminary results	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initiation of Coverage	David López Sánchez

