

Facephi

FY24 Earnings Release & Earnings Call – Good Commercial Momentum Confirmed, Earnings Relatively in Line. Buy Rating and PT of €2.8 Reiterated.

Sponsored Research

Price Target: €2.8

Close Price: €2.47

Potential: +13.4%

BUY

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FY24 Earnings Release:

- Facephi (FACE) has released **FY24 Earnings** on 29/4 after disclosing partial information on 4/4 after-hours upon disclosure of Nice & Green's conversion of convertible bonds (~1.1m new shares for ~€1.8m; €0.04 par value; 1.5877€ issue premium). Co also held its FY24 Earnings conference call today.
- Solid FY24 Sales** reached €28.9m (+15.2% YoY), above Marex est. of €28.2m (surprise factor +2.4%) on dynamic commercial execution, launch of new product / services (IDV Suite, TESEO Wallet, mule accounts) and geo. expansion (Saudi Arabia, Iraq, Jordan, Pakistan, Poland, Uganda, South Africa and Asia with Hancorn).
- FY24 **ARR of c.€28m** confirmed (vs. €27.4m 1H24 / +2.2% HoH, €21.8m FY23 / +28.5% YoY and €12.7m FY22), **TCV stands at €57.8m** (+49.5% YoY) and est. revenue pipe of >€60m with churn rate <10%, in line with prior years. Hence positive commercial momentum confirmed.
- Facephi's client base still heavily **skewed towards financial services** (>95% of FY24 Sales when considering Banking, Insurance and Fintech altogether). However, **Co has started to diversify** and broaden its current client base (transportation with IATA for instance) to become less reliant on financial services clients, which we consider positive.
- SaaS model** getting traction (48% of FY24 Sales, +1% YoY) ensuring recurring revenues and expected to keep growing YoY.
- Profitability:** Co's profitability below our estimates. FY24 Co's "normalised" EBITDA of €1.0m (+10% YoY vs. Co's FY23 "normalised" EBITDA) but Marex EBITDA of -€1.1m (vs. Marex est. of €0.9m, -122% surprise factor) and EBIT of -€6.7m (vs. Marex est. of -€4.7m; -42.6% surprise factor) on higher Opex than anticipated (payroll costs, one-offs).
- This mechanically led to lower FY24 **Net Income** of -€8.9m (-106.1% YoY; surprise factor of ~-100%) and **EPS** of -€0.35 (-72.7% YoY), on higher income tax of -€1.6m (vs. €2.7m YoY, hence tax credit) not anticipated in our FM.
- WC:** Substantial trades receivable balance of €18.7m (+38.1% YoY; 237 DSO vs. 197 YoY) but limited impact on WC as trades payable increased by 36.9% to €14.8m (187 DSO vs. 157 YoY). Co's ability to collect TR to be monitored.
- Better net debt than expected** of €4.5m (vs. Marex est. of €6.0m; surprise factor of 25%) on reduced Capex of €4.7m (vs. €9.9m YoY) and improved FCF. Waiting for the full FY24 FS' release for more clarity on cashflows.

Key data

Country	Spain
Subsector	Biometrics
Bloomberg	FACE-SM
Market Cap. (EURm)	63.7
Free Float (%)	63.8%
30d avg. Volume (k)	13.9

Financials

	2023A	2024A	2025E	2026E
Sales (EURm)	25.2	28.9	40.7	51.8
Growth rate (%)	12.9%	14.8%	40.8%	27.5%
EBITDA (EURm)	0.6	(1.1)	2.9	9.5
Margin (%)	2.5%	(3.7%)	7.2%	18.3%
EBIT (EURm)	(5.4)	(6.7)	(3.2)	2.2
Margin (%)	(21.4%)	(23.1%)	(7.8%)	4.3%
Net Profits (EURm)	(4.3)	(8.9)	(4.4)	1.4
Basic EPS (EUR)	(0.2)	(0.3)	(0.2)	0.0
Net Debt (EURm)	9.0	4.4	3.3	3.4
FCF (EURm)	(9.0)	(3.4)	(0.4)	(0.2)
RoCE (%)	(8.2%)	(25.7%)	(15.8%)	6.6%
ND/EBITDA (x)	14.4x	(4.1x)	1.1x	0.4x

Valuation metrics

	2023A	2024A	2025E	2026E
P/E (x)	(8.1x)	(7.2x)	(14.4x)	44.9x
FCF Yield (%)	(25.7%)	(5.3%)	(0.6%)	(0.2%)
EV/Sales (x)	1.7x	2.3x	1.6x	1.3x
EV/EBITDA (x)	70.5x	(61.1x)	22.2x	6.9x
EV/EBIT (x)	(8.1x)	(9.9x)	(20.5x)	29.1x

Source: Company, Marex



Source: Marex, FactSet



Exhibit 1: FY24 Earnings Release

Earnings Disclosure (EURm)	Actual			Actual/Marex Est.		
	FY24A	FY23A	Δ YOY	FY24A	FY24E	Δ A/E
Sales	28.9	25.2	14.8%	28.9	28.2	2.4%
EBITDA	(1.1)	0.6	(273.6%)	(1.1)	0.9	(220.1%)
Margin	(3.7%)	2.5%	-622bps	(3.7%)	3.2%	-694bps
EBIT	(6.7)	(5.4)	(23.9%)	(6.7)	(4.7)	(41.9%)
Margin	(23.1%)	(21.4%)	-169bps	(23.1%)	(16.7%)	-643bps
Net Income	(8.9)	(4.3)	(106.1%)	(8.9)	(4.3)	(106.6%)
Margin	(30.8%)	(17.1%)	-1363bps	(30.8%)	(15.2%)	-1552bps
Basic EPS (EUR)	(0.35)	(0.20)	(72.7%)	(0.35)	(0.20)	(74.8%)
FCFF	(3.4)	(9.0)	62.3%	(3.4)	(9.0)	62.3%
FCFF conversion	313.8%	(1446.3%)	176008bps	313.8%	(1000.0%)	131379bps
Net Debt	4.4	9.0	(50.6%)	4.4	9.0	(50.7%)
Lev. Ratio	(4.1x)	14.4x		(4.1x)	10.0x	

Source: Company, Marex

Outlook:

- Positive momentum set to remain – we still see FY25e Sales of >€40m (+40.8% YoY), with ~70% of this amount already covered by the current ARR. Similarly, we see FY25e ARR of >€40m.
- We also exp. FY25e EBITDA of €3.1 (vs. FY24 EBITDA of -€1.1m) and EBITDA margin of ~7.7% on 1/ reduced commission costs and 2/ contained payroll costs as targeted FTEs are now hired. Overall, Facephi's top-line set to grow quicker than Opex over the next few years.
- Positive FCF exp. over FY25e and FY26e as per Co (Marex figures close to €0m, to be refined upon cashflow statement release), net debt of €3.3m expected for FY25e (leverage ratio improving, could be debt free by FY27e).
- Likely to proceed with M&A upon share price rise as 1/ Co's profile will be improved and 2/ more efficient share exchange on higher share price to limit cash outflows. Targets identified by Facephi have either a solid client book or innovative tech.
- Management already confirmed during Marex latest roadshow that they got approached by buyers but turned down offers as not interested in selling on current valuation (~€64m market cap, still undervalued in our take). Hence, speculative bias remains on Facephi.

Change in Estimates:

- Sales estimates relatively unchanged and in lines with Marex's prior estimates.
- Cutting our FY25e EBITDA to €2.9m (vs. €6.9m) as Facephi's FY24 EBITDA came in lower than anticipated (actual negative vs. est. positive – not considering Co's "normalised" EBITDA, using Marex's EBITDA instead).
- Better than expected FY25e net debt levels (€3.3m vs. €5.0m, stable for FY26e, then debt-free)
- However, cut in estimates offset by better LT (post-FY26e) FCF and profitability prospects with 1/ lower Capex than expected as technological development achieved (now focusing on commercial dev.), 2/ reduced payroll costs as current FTEs base set up and ready for commercial expansion.



Exhibit 2: Change in Estimates

Δ Estimates (EURm)	2025E			2026E		
	NEW	OLD	Δ N/O	NEW	OLD	Δ N/O
Sales	40.7	40.7	(0.1%)	51.8	55.2	(6.1%)
EBITDA	2.9	6.9	(57.6%)	9.5	13.6	(30.2%)
Margin	7.2%	17.0%	-975bps	18.3%	24.6%	-632bps
EBIT	(3.2)	(0.9)	(252.4%)	2.2	3.5	(36.1%)
Margin	(7.8%)	(2.2%)	-559bps	4.3%	6.3%	-203bps
Net Income	(4.4)	(1.4)	(216.3%)	1.4	1.8	(21.2%)
Margin	(10.9%)	(3.4%)	-745bps	2.7%	3.3%	-52bps
Basic EPS (EUR)	(0.17)	(0.06)	(190.5%)	0.05	0.07	(28.7%)
FCFF	(0.4)	1.1	(137.0%)	(0.2)	2.4	(106.6%)
FCFF conversion	(13.9%)	15.9%	-2986bps	(1.7%)	17.6%	-1930bps
Net Debt	3.3	5.0	(34.3%)	3.4	2.6	32.3%
Lev. Ratio	1.1x	0.7x	0.4x	0.4x	0.2x	0.2x

Source: Company, Marex

Rating & Valuation:

- **Buy rating and PT of €2.8 reiterated** derived from a blended DCF (75%; Ke slightly reduced as Co's risk profile reduced on positive commercial traction and SaaS model change, offsetting FY25e and FY26e estimates' cuts) and FY25e EV/Sales (25%) valuation.
- **Facephi re-rating ongoing:** Positive momentum (+41.1% YTD and +59.4% since Marex initiated the coverage on 30/11/2024) on positive newsflow and successful business development. Speculative bias as takeover possible and likely (~64% float; management has <10%).
- However, we still believe the stock suffers from a **profitability, liquidity and size discount** (~€64m market) vs. major peers.
- **Risks to our rating:** 1/ Business development and commercial execution risks (inability to achieve successful diversification, access new geos and gain new customer to diversify the current concentrated client base), 2/ tougher competitive environment against major peers (Idemia, Jumio, Onfido, Veriff, etc) and 3/ more Capex and Opex than anticipated to remain relevant in a competitive environment (R&D investments, key people hiring).


BUY
Facephi Biometria SA

FACE-SM
Price (EUR) 2.47
Market Cap. (EURm) 64
30d avg. Volume (k) 32



Ratios & Valuation	2022A	2023A	2024A	2025E	2026E	2027E	2028E
EV/Sales (x)	0.9x	1.7x	2.3x	1.6x	1.3x	0.8x	0.5x
EV/EBITDA (x)	4.7x	70.5x	-61.1x	22.2x	6.9x	3.4x	2.0x
EV/EBIT (x)	11.9x	-8.1x	-9.9x	-20.5x	29.1x	7.1x	3.5x
P/E (x)	13.7x	-8.1x	-7.2x	-14.4x	44.9x	11.3x	7.2x
FCF Yield (%)	(51.5%)	(25.7%)	(5.3%)	(0.6%)	(0.2%)	18.6%	19.2%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Leverage Ratio (x)	9.3x	(2.5x)	(0.8x)	(1.6x)	0.8x	(0.8x)	(1.4x)
Debt to Equity (%)	36.2%	44.0%	22.2%	19.0%	18.4%	(36.7%)	(64.6%)
Interest Cover (x)	(0.2x)	0.3x	0.2x	0.1x	(0.2x)	(0.0x)	(0.0x)
WC/Sales (%)	21.6%	9.9%	19.3%	3.8%	0.2%	(5.3%)	(5.4%)
RoE (%)	7.3%	(21.5%)	(46.3%)	(27.1%)	8.0%	24.1%	27.4%
RoCE (%)	7.8%	(8.2%)	(25.7%)	(15.8%)	6.6%	21.6%	25.3%
RoA (%)	3.4%	(9.4%)	(17.9%)	(8.9%)	2.5%	9.5%	12.7%
BV per share (EUR)	0.87	0.94	0.76	0.64	0.62	0.82	1.13
FCF per share (EUR)	(0.45)	(0.42)	(0.13)	(0.02)	(0.01)	0.42	0.43

Growth & Margins (%)	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Sales growth	75.7%	12.9%	14.8%	40.8%	27.5%	22.5%	17.5%
EBITDA growth	(145.0%)	(683.5%)	59.7%	(64.3%)	(306.0%)	141.4%	45.7%
EBIT growth	(9.8%)	360.3%	17.2%	(27.8%)	(62.0%)	(158.7%)	215.3%
EPS growth	4.6%	156.1%	32.4%	(30.4%)	(62.8%)	(98.3%)	(4300.1%)
DPS growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA margin	19.9%	2.5%	(3.7%)	7.2%	18.3%	24.8%	27.8%
EBIT margin	7.8%	(21.4%)	(23.1%)	(7.8%)	4.3%	11.8%	15.8%
Net margin	5.0%	(17.1%)	(30.8%)	(10.9%)	2.7%	8.9%	11.8%

Income Statement (€m)	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Sales	22.3	25.2	28.9	40.7	51.8	63.5	74.6
COGS	(3.2)	(3.4)	(4.8)	(6.1)	(7.5)	(8.9)	(10.4)
Gross Profits	19.1	21.8	24.1	34.6	44.3	54.6	64.2
Opex	(14.7)	(21.2)	(25.2)	(31.6)	(34.8)	(38.8)	(43.4)
EBITDA	4.4	0.6	(1.1)	2.9	9.5	15.8	20.7
D&A	(2.7)	(6.0)	(5.6)	(6.1)	(7.3)	(8.3)	(9.0)
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.7	(5.4)	(6.7)	(3.2)	2.2	7.5	11.8
Net interest inc./exp.)	(0.7)	(1.7)	(0.7)	(0.4)	(0.3)	(0.0)	(0.0)
Profits/(losses) from asso.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	1.0	(7.1)	(7.3)	(3.5)	1.9	7.5	11.8
Income tax	0.1	2.7	(1.6)	(0.9)	(0.5)	(1.9)	(2.9)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profits	1.1	(4.3)	(8.9)	(4.4)	1.4	5.6	8.8
Basic EPS (EUR)	0.1	(0.2)	(0.3)	(0.2)	0.0	0.2	0.3
DPS (EUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0%	0%	0%	0%	0%	0%	0%
Basic NoSHm	17.4	21.3	25.4	25.4	28.4	28.4	28.4

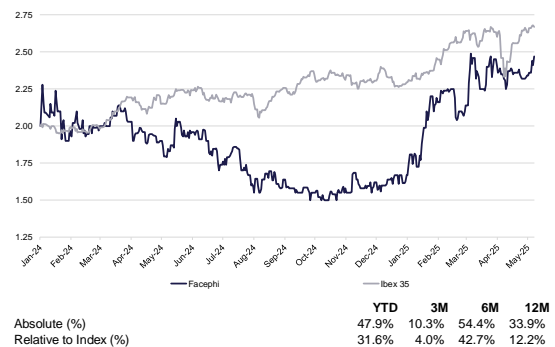
Balance Sheet (€m)	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible Assets	7.6	11.8	11.5	10.9	13.4	13.1	13.4
PPE & ROUA	1.8	2.7	2.6	2.6	3.0	3.5	4.1
Investments	0.2	0.1	0.2	0.2	0.2	0.2	0.2
NC receivables & DTA	6.8	12.0	6.3	6.9	7.1	4.1	0.4
Non-current assets	16.4	26.6	20.6	20.6	23.7	20.9	18.1
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	11.2	13.6	18.7	22.3	25.6	26.1	26.6
Other AR and prepaid exp.	2.3	2.6	4.4	3.3	3.6	3.5	4.1
ST Investments	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cash and cash equivalents	2.2	2.7	5.7	3.6	2.9	8.5	20.7
Current assets	15.9	19.1	29.1	29.4	32.2	38.3	51.6
Total assets	32.3	45.7	49.7	50.0	55.9	59.2	69.7
LT financial liabilities	3.8	3.0	0.9	0.0	0.0	0.0	0.0
Provisions	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	0.4	0.2	2.5	2.5	2.5	2.5	2.5
Non-current liabilities	4.3	3.3	3.5	2.6	2.6	2.6	2.6
ST financial liabilities	4.0	8.7	9.3	6.8	6.3	0.1	0.1
Trades payable	5.2	10.8	14.8	19.7	24.1	27.8	28.6
Tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contract liabilities	3.2	1.5	2.2	2.5	2.8	2.9	3.5
Other current liabilities	0.3	1.4	0.8	2.0	2.3	2.4	2.8
Current liabilities	12.8	22.4	27.0	31.1	35.5	33.2	34.9
Total liabilities	17.0	25.7	30.5	33.7	38.1	35.8	37.5
Equity	15.2	20.0	19.2	16.3	17.7	23.4	32.2

Cash Flow Statement (€m)	2022A	2023A	2024A	2025E	2026E	2027E	2028E
Net profits	1.1	(4.3)	(8.9)	(4.4)	1.4	5.6	8.8
Net finance costs / (income)	(0.0)	0.6	(0.9)	0.0	0.0	0.0	0.0
Tax	(0.1)	(2.7)	4.3	(0.7)	(0.4)	1.4	1.1
D&A and non-cash	2.7	6.5	5.0	5.5	6.5	7.4	8.1
Δ WC	(6.8)	0.6	1.7	4.1	1.6	5.1	3.2
Other elements	(2.7)	0.2	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(5.8)	0.9	1.3	4.5	9.2	19.6	21.2
CapEx	(2.0)	(9.9)	(4.7)	(4.9)	(9.3)	(7.7)	(9.0)
(M&A) / Divestures	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Cash flow from investing	(2.2)	(9.8)	(4.1)	(4.9)	(9.3)	(7.7)	(9.0)
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ Debt	3.9	1.6	(1.3)	(3.3)	(0.5)	(6.2)	0.0
Δ Equity	4.7	8.0	6.8	1.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing	8.6	9.5	5.5	(1.5)	(0.5)	(6.2)	0.0
Effects of FX & Δ in scope	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0
Δ cash	0.5	0.6	2.7	(1.9)	(0.7)	5.6	12.2
FCFF	(7.8)	(9.0)	(3.4)	(0.4)	(0.2)	11.8	12.2

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Share Price Performance (EUR)


Source: Marex, FactSet



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

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Date	Rating	Price Target (EUR)	Close Price (EUR)	Analyst
31/10/2024	Buy	2.1	1.55	Romain Dobral, ACA
27/02/2025	Buy	2.8	2.07	Romain Dobral, ACA
07/05/2025	Buy	2.8	2.47	Romain Dobral, ACA

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Company name	ISIN	BBG Ticker
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Investment recommendations Distribution (as of 31/03/2025)					
Coverage Universe	Count	Percent	Liquidity Contracts	Count	Percent
Buy	3	50%	Buy	0	0%
Hold	2	33%	Hold	0	0%
Sell	1	17%	Sell	0	0%
Under Review	0	0%	Under Review	0	0%

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

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Location	Regulator	Abbreviation
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