

Substrate AI

BUY

Audited 2024 numbers confirming trend growth

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Substrate AI just released audited 2024 Turnover of €25 million (exceeding the €24 million anticipated in the preliminary figures released last January) vs €13.9 million in 2023. The Ebitda came in at €5.7 million versus the previous guidance of €5.0 million (and compared with -€3.7 million in 2023).

The Artificial Intelligence division continues to make progress with the Nvidia-powered Data-Center project to be built in Talavera. Based on current market valuations of listed Data-Centers, there is potential to generate a 3x return on the project once is completed and driven to utilization.

These numbers do suggest (no breakdown has been provided) that their MedTech (4D Medica) and HRTech (Fleebe AI) verticals are performing strongly in double-digit growth. During the 2H24, group turnover rose by some 42% and Ebitda to €4.0 million “vs a loss of €3.0 million in 2H23.

The 4D Medica and Fleebe AI stakes, the two largest companies in the Substrate AI portfolio, have an estimated target valuation of **€42 million** combined. Both companies have introduced AI-related products and services.

The remaining areas of value lay on the AI divisions (est. **€40 million** target valuation), together with the Agritech, Fintech, and Energy verticals (est. **€6 million**), bringing the valuation potential to over **€88 million**.

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

Equities

BME Growth

Price (4pm 14/03/25): Ord. €0.11

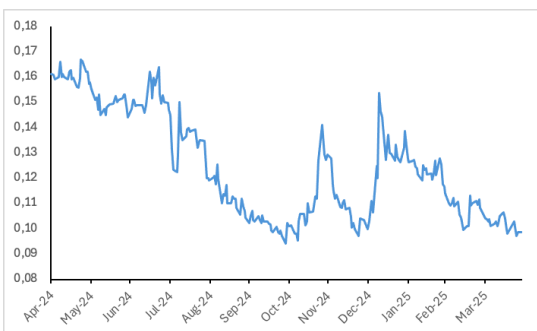
Ticker: SAI.MC

Target Price (12-18 m): €0.60

Trading data

52-Wk range (€):	0.17 - 0,09
Mkt. Cap. FD (€ millions):	13,1
No. Ord. Shares (millions):	141.1
Avg. daily Vol. (€12m):	127K
Daily volatility (avg. LTM):	3,1%

Price Chart (last 12 months)



(€ millions)	2024	2025e	2026e
Turnover	25,5	31,7	40,2
Ebitda	5,7	6,7	8,7
Net Profit	8,6	4,2	5,6
EPS (cents)	6,10	2,96	3,98
EV/Sales (x)	0,8	0,7	0,5
EV/Ebitda (x)	3,6	3,1	2,4
P/E (x)	2,0	4,0	3,0

Weaknesses	Threats
Exposed to inorganic growth with the risks that it entails. Substrate AI partly depends on the stock market and credit markets to obtain the financial resources it needs.	The presence of large, well-established, and well-capitalized companies may present a competitive threat in each of the markets where they operate, including AI
Geographical concentration, most of its sales are in Spain and now partly in Latin America following the Binit group acquisition	Future capital increases to finance inorganic growth, which may dilute the current shareholder.
Whereas we expect accounting profits in 2024, the results are still reliant on the capitalization of R&D expenses. The group may require of capital increases to fund their operations and acquisitions.	Artificial Intelligence is a hot topic the world over and competition for talent remains strong, which may place smaller companies at a disadvantage.
Strengths	Opportunities
Their core asset is a proprietary Biology-Inspired next generation AI technology, developed by one of the founders and CTO, Bren Worth, alongside the Rensselaer Polytechnic Institute in NY.	Substrate AI, through its Subsidiary SubGen AI, has developed Serenity Star (AlaaS) and Metacontrol, two LLM based Software products with excellent potential.
A diversified portfolio of companies organized into six different verticals, reducing their exposure to a particular sector the economy.	Expected strong sales growth rate of 24% and 27% in 2025 and 2026.
Its smaller size gives it the agility to move more quickly in the commercial field and in the execution of projects.	Value creation through inorganic growth. By acquiring companies that can benefit from AI, Substrate AI stands to create critical mass.
A strong management team with a track record for creating value for shareholders.	Spain is emerging as a country with a high degree of digital talent, where Substrate AI is perfectly positioned in the short, medium and long term.
Access to capital through a €20 million committed line of convertible bonds, of which 35% has already been used.	Possibility of being acquired. Artificial Intelligence is on the rise and larger companies are looking to acquire talent and market share.

The main drivers for growth announced by Substrate AI

The company continues to point towards three key areas of value creation for shareholders:

- (1) **IPO's:** Substrate AI is expected to list three of its portfolio companies, Subgen AI, 4D Médica and Fleebe AI, to facilitate their access to capital independently to allow them to embark on a new phase of turnover and EBITDA growth. We expect the respective valuations to be in line with our target valuations, and therefore we expect the IPOs to be a catalyst for Substrate AI share price upside.
- (2) **Infrastructure:** The investment in the AI Data Center in Talavera de la Reina, together with the launch of Substrate AI Cloud prepared by Mani Masshafi's (recent high profile hire) team, opens up another avenue of growth and value creation for shareholders.

At present, listed Data Centers (not many are listed) in the US are trading on EV/ Ebitda 12-month forward multiples of 17x and P/E of 35x, suggesting the markets are still positive on their growth prospects.

	Share	Mkt Cap	Performance			EV /	EV /	Price/	Div	FCF	BEER
	Price (\$)	billion (\$)	1m (%)	3m (%)	12m (%)	Sales (x)	Ebitda (x)	Earnings (x)	Yield (%)	Yield (%)	(x)
Digital Realty	159,87	53,8	6%	-12%	18%	11,1	23,4	103,0	3,1%	-1,9%	4,4
Equinix	851,65	83,3	0%	-9%	14%	10,3	21,0	60,1	2,3%	0,9%	2,6
Iron Mountain	88,27	26,0	0%	-20%	17%	5,8	15,8	41,5	3,5%	-1,5%	1,8
American Tower	221,33	103,6	1%	14%	23%	7,9	11,7	14,5	3,6%	8,5%	0,6
TOTAL		266,8	1%	-7%	20%	8,7	16,7	35,4	3,0%	1,7%	1,5

Source: Checkpoint Partners

- (3) **Venture Capital:** Substrate AI is expected to propose at the next shareholders' meeting to approve the channelling of investment in start-ups through a formal Venture Capital fund. With this vehicle, Substrate AI will be able to bring other investors into projects with the goal of transforming companies with Artificial Intelligence. In addition to the potential upside, it can become an additional source of revenue, coming from management fees.

Sum of the parts valuation.



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

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

We have increased the valuation of the combined AI operations to €40 million (vs €37 million in our March 2025 report) on the back of the positive news flow of the Castilla-LaMancha government-backed Data Center. Although some work is yet to be done to close the transaction, we believe this announcement could be transformational for the value of the group.

In this update note, we have slightly increased the sum-of-the-parts valuation, lifting the Health vertical target valuation to €21,8 million (vs €20.8 million) and the HR vertical to €18,8 million (vs €17,7 million). The overall target valuation per share does not change, given that there are 10 million more issued shares, coming from convertible bonds.

		EV/ Sales			Target est. valuation
		2024e	2025e	2026e	(€ millions)
		(x)	(x)	(x)	
SaaS AI	Subgen AI				40,0
Med Tech	4D Medica (70%)	5,5	4,8	4,1	21,8
HR Tech	Fleebe AI	3,5	3,0	2,5	18,8
Agri Tech	Boalvet	7,5	6,2	4,1	4,8
Fin Tech	Zona Value	4,0	3,5	3,1	2,6
Ener Tech	Save the Planet	n.m.	5,1	2,6	0,5
EV					88,5
Equity Value					84,5
Per share					€ 0,60

		EV/ Sales			Current inferred valuations
		2024e	2025e	2026e	(€ millions)
		(x)	(x)	(x)	
SaaS AI	Subgen AI				8,0
Med Tech	4D Medica (70%)	1,1	1,0	0,8	4,4
HR Tech	Fleebe AI	1,0	0,9	0,7	3,8
Agri Tech	Boalvet	2,1	1,8	1,2	1,0
Fin Tech	Zona Value	1,2	1,0	0,9	0,5
Ener Tech	Save the Planet	n.m.	1,2	0,6	0,1
EV					17,7
Equity Value					13,7
Per share					€ 0,12

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

Checkpoint recommendation System

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

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

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

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

History of Checkpoint recommendations (last 12 months)

Date	Stock	Recommen.	Price (€)	Target P.(€)	Period	Analyst
11.11.2021	LLN	BUY	4.38	9.00	12m	Guillermo Serrano
22.02.2022	LLN	BUY	3.24	9.00	12m	Guillermo Serrano
04.05.2022	LLN	BUY	4.06	9.00	12m	Guillermo Serrano
11.08.2022	LLN	BUY	2.50	7.50	12m	Guillermo Serrano
25.10.2022	LLN	BUY	1.84	6.00	12m	Guillermo Serrano
23.11.2022	SAI	BUY	0.22	1.35	12m	Guillermo Serrano
24.01.2023	SAI	BUY	0.34	1.35	12m	Guillermo Serrano
09.03.2023	LLN	BUY	2.27	5.00	12m	Guillermo Serrano
10.05.2023	LLN	BUY	1.64	5.00	12m	Guillermo Serrano
05.09.2023	LLN	BUY	1.15	3.00	12m	Guillermo Serrano
20.11.2023	SAI	BUY	0.20	1.00	12m	Guillermo Serrano
12.12.2023	LLN	BUY	0.80	3.00	12m	Guillermo Serrano
06.05.2024	LLN	BUY	1.10	3.00	12m	Guillermo Serrano
27.05.2024	LLN	BUY	1.32	3.00	12m	Guillermo Serrano
28.05.2024	SAI	BUY	0.16	1.00	12m	Guillermo Serrano
19.09.2024	SAI	BUY	0.11	0.60	12m	Guillermo Serrano
30.10.2024	LLN	BUY	1.10	3.00	12m	Guillermo Serrano
05.02.2025	LLN	BUY	1.33	3.00	12m	Guillermo Serrano
17.03.2025	SAI	BUY	0.10	0.60	12m	Guillermo Serrano
2.05.2025	SAI	BUY	0.11	0.60	12m	Guillermo Serrano

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

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

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