

Substrate AI

BUY

Flourishing financial value in 2Q25 with strong operating numbers

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Some €0,48 (almost 5x the value of the share price) of shareholder value has gained more visibility during 2Q25:

€0,27 per share on account of SubGen AI (20% owned) announced listing this year on the Nasdaq Market in Sweden via Reverse Takeover. The valuation has been set at €200 million, meaning that Substrate AI stake has €40 million in value.

€0,19 per share is the worth of 70% owned 4D Medica, on the back of its announced listing on the London Stock Exchange (an RTO too), valuing its shares at €38 million (GBP33 million).

An estimated €0.02 in value creation following the acquisition of Developing Talent (an executive coaching operation) and Secure HR (HR Software), for a combined \$3.8 million (€3.3 million).

Substrate AI also released, last week, its half-year results. Under a pro forma format, combining Substrate AI and SubGen AI numbers, reported sales were €13.4 million (+42% vs. 1H24) and headline EBITDA €3.1 million (+92%).

During 2Q25, Substrate AI issued a further 17 million new shares (€1.7 million raised) to be deployed in the announced acquisitions. We expect the resulting dilution to be compensated by value creation.

We maintain our BUY recommendation and maintain our share 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 18/07/25): Ord. €0.102

Ticker: SAI.MC

Target Price (12-18 m): €0.60

Trading data

52-Wk range (€):	0.16 - 0.09
Mkt. Cap. FD (€ millions):	15.9
No. Ord. Shares (millions):	152.6
Avg. daily Vol. (€12m):	180K
Daily volatility (avg. LTM):	3,1%

Price Chart (last 12 months)



(€ millions)	2024	2025e	2026e
Turnover	25,5	30,5	37,5
Ebitda	5,7	6,7	8,7
Net Profit	7,3	3,9	5,7
EPS (cents)	4,79	2,54	3,72
EV/Sales (x)	0,8	0,7	0,5
EV/Ebitda (x)	3,5	3,0	2,3
P/E (x)	2,2	4,1	2,8

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 20% owned 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.

Two acquisitions and two listings to drive shareholder value.

The 2Q25 news flow has been dominated by the announcements to list the 20% owned SubGen AI and the 70% owned 4D Medica companies, with a potential combined impact **equivalent to €0.46 per share**, more than 4x the current share price of Substrate AI. In addition, we expect the announced acquisitions in the HR vertical to generate a further €0,02 in value to the share price of Substrate AI. We break it down as follows:

(1) SubGen AI:

SubGen AI provides a unique play into “Sovereign AI” in Europe, and it is already scaling up operations to seize its market opportunity.

The AI sector is attracting attention globally as spending in this segment of the Software sector is expected to grow exponentially over the coming years, led firstly by hardware investments (e.g., NVIDIA) that provide the necessary base for Software solutions to follow.

Given the strong growth expectations, the sector is currently trading on 21x prospective 12-month fwd sales, high above the usual 5-10x multiple of high-growth technology stocks.

10 Software AI Sector listed stocks valuation table

	Share Prices (\$)			Mkt Cap billion (\$)	Performance			Liquidity Traded V. / Mkt C. (%)	EV / Sales (x)	EV / Ebitda (x)	Price/ Earnings (x)
	Last	12m High	12m Low		1m (%)	3m (%)	12m (%)				
C3.ai	27,23	42,94	18,24	3,7	10%	28%	-10%	1040%	5,7	-40,7	-70,7
LightOn	10,05	31,99	17,93	0,1	-12%	22%	n.a.	102%	6,8	54,7	80,3
BigBear.ai	7,12	9,78	1,19	2,1	90%	129%	397%	6388%	10,1	-112,3	-9,2
GitLab	42,57	73,14	40,52	7,0	-1%	-7%	-18%	452%	4,9	30,0	37,5
ServiceNow	966,97	1.170,39	721,65	200,3	-5%	n.a.	n.a.	186%	13,4	38,2	51,6
OneStream	24,75	34,45	17,93	5,9	-12%	22%	n.a.	148%	7,1	154,6	145,7
UiPath	12,40	15,50	9,79	6,6	-5%	12%	-6%	499%	2,9	13,9	19,0
Palantir	150,91	149,15	24,09	356,1	9%	61%	446%	918%	76,9	172,8	210,4
Snowflake	211,94	225,79	108,56	70,7	2%	41%	49%	467%	11,1	75,9	100,2
Soundhound	11,78	24,23	4,14	4,7	16%	28%	170%	2659%	23,8	-153,4	-165,0
TOTAL				657,3	3%	40%	114%		21,4	74,7	98,8

Source: Checkpoint Partners

The SubGen AI listing transaction values on 12 fwd EV/Sales multiple at 13x, a 39% discount to our universe of 10 stock average (9 US stocks, 1 French) and hence the potential €0,27 per share valuation impact on Substrate AI.

(2) 4D Medica:

The company has a strong veterinary and medical hardware and software distribution business, with an upcoming AI-based management system for every layer of activity within a medical or veterinary center.

The announced listing in the UK places 4D Medica on a 12-month fwd EV/Sales multiple of 5x, which is consistent with a technology company with above-market growth expectations.

Based on the current 70% (to drop to 68% following the RTO), the value of the 4D Medica stake to Substrate AI shareholders is €0,19 per share.

(3) HR Vertical acquisitions:

Substrate AI is already exposed to the HR vertical through organic growth with the development of the Fleebe Corporate product (and more recently the Employee time tracking tool) and the 2023 Yamro Holding acquisition (commercially IFIT Solutions).

- These two original investments have paved the way for further growth through acquisitions, such as the two just recently announced: Developing Talent and Secure HR. Based on the synergies already identified, sales of the acquired companies are expected to reach €3 million in 2026 vs an expected (pro-forma) €2 million in 2025.
- By expanding its global commercial footprint and broadening its product offerings, the company increases the number of cross-selling opportunities, generating growth opportunities. The introduction of Gen AI into the mix is expected to accelerate the ability to create value.
- These acquisitions for €3.3 million (to be disbursed over 18 months to minimize the impact on the balance sheet) are expected to generate an almost immediate doubling of value on account of the expected synergies.

1H25 results point towards continued strong growth

We expect overall revenues to rise by 25% to €32 million in 2025 and 23% to €39 million in 2026. The comparable rate of sales growth delivered in 1H25 was 40%, which suggests that our forecasts are going in the right direction.

(€ euros)	1H24	"old" 1H25	% chng	"new" 1H25	% chng
Total Revenues	9.452.051	13.217.111	40%	11.034.381	17%
Op. Revenues	6.892.973	9.959.570	44%	8.677.380	26%
Ebitda	1.611.136	3.091.374	92%	1.662.325	3%
Normalized Ebitda	n.a.	3.907.858		2.137.742	

Source: Substrate AI

The company released results last week by publishing both the “new” and the “old” Substrate AI (without and with SubGen AI). The headline “old” relates to SubGen AI being included in the comparison, whilst the “new” excludes SubGen AI.

- Substrate AI reported 1H25 numbers include the main operating verticals of HR Tech (Fleebe) and Med tech (4D Medica), alongside the financial (KAU), environmental (Save the Planet and Airen), and veterinary (Boalvet and PSVet) verticals. Substrate AI also includes the Data Center project of which no revenues are yet present, but value is already being created through the development of the Talavera project.
- Taking both companies together, 1H25 numbers attribute 83% of revenues to Substrate AI (and the remaining 17% to Subgen AI) and 55% of the Ebitda (the remaining 45% belonging to SubGen AI).
- The difference between total revenues and operating revenues is related to the “Tax-Lease” (the Spanish acronym being AIE, related to the type of company that is used to monetize tax losses), which is an additional source of profits for the overall business. Spanish tax rules allow for an additional 25% to 40% (thereabouts) tax deduction of R&D related expenses. Given that tax losses carried forward provide little value to a cash-hungry innovation-driven enterprise, these losses can be “sold” (via the AIE) at an attractive discount to tax investors who pay in cash.

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.

		Revenues			Growth	
(€ million)		2024e	2025e	2026e	25/24	26/25
SaaS AI	Subgen AI	5,4	7,3	12,8	35%	75%
Med Tech	4D Medica (70%)	5,7	7,1	8,2	25%	15%
HR Tech	Fleebe AI	5,4	7,5	10,6	40%	41%
Agri Tech	Boalvet / PSVet	0,6	1,0	1,3	50%	40%
Fin Tech	Zona Value	0,6	0,8	0,9	25%	15%
Ener Tech	Save the Planet	0,0	0,1	0,2	n.m.	100%
Venture Portfolio		17,8	23,8	34,1	34%	43%
Tax-Lease		7,7	6,3	5,0		
Total Revenues		25,5	30,1	39,1	18%	30%

		EV/ Sales			Target est. valuation
		2024e	2025e	2026e	(€ millions)
		(x)	(x)	(x)	
SaaS AI	Substrate Cloud				40,0
Med Tech	4D Medica (70%)	6,5	5,2	4,5	25,9
HR Tech	Fleebe AI	4,2	3,0	2,2	22,9
Agri Tech	Boalvet / PSVet	6,9	4,6	3,3	4,4
Fin Tech	Zona Value	3,7	3,0	2,6	2,4
Ener Tech	Save the Planet	n.m.	5,1	2,6	0,5
EV					96,2
Equity Value					91,2
Per share					€ 0,60

		EV/ Sales			Current inferred valuations
		2024e	2025e	2026e	(€ millions)
		(x)	(x)	(x)	
SaaS AI	Subgen AI				7,0
Med Tech	4D Medica (70%)	1,1	0,9	0,8	4,5
HR Tech	Fleebe AI	1,1	0,8	0,5	4,0
Agri Tech	Boalvet / PSVet	1,7	1,1	0,8	0,8
Fin Tech	Zona Value	0,9	0,8	0,7	0,4
Ener Tech	Save the Planet	n.m.	1,0	0,5	0,1
EV					16,8
Equity Value					12,8
Per share					€ 0,11

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

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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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