

Important news
Opinion ⁽¹⁾: Positive

Impact ⁽¹⁾: We will have to raise our estimates

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Business description

IFFE Futura (IFF) is building a large plant for the production of Omega-3. Once on stream, the plant will be able to produce 10,000 Tn of Omega-3, that, once on stream, will represent a large step-up in size for the company. The production of Omega-3 will become, de facto, IFFEs core business. The company also has a business school and consultancy business (2022 revenue: EUR 0.8Mn).

Market Data

Market Cap (Mn EUR and USD)	40.8	44.9
EV (Mn EUR and USD) ⁽²⁾	49.3	54.2
Shares Outstanding (Mn)	37.8	
-12m (Max/Med/Mín EUR)	1.20 / 0.83 / 0.49	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation ⁽³⁾	14.6	
Factset / Bloomberg	IFF-ES / IFF SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

David Carro	16.7
Inveready	7.4
José Poza	5.0
Free Float	70.8

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.0	4.9	89.5	n.a.
vs Ibex 35	-0.2	3.8	63.8	n.a.
vs Ibex Small Cap Index	-4.3	3.1	83.4	n.a.
vs Eurostoxx 50	0.1	6.0	53.5	n.a.
vs Sector benchmark ⁽⁴⁾	0.7	12.3	99.6	n.a.

(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 Food & Beverage.

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

A (real) step-up in scale

NATAC GROUP WILL BE INTEGRATED INTO IFFE FUTURA THROUGH A REVERSE MERGER... So far, 95% of the shareholders (the remaining 5% have yet to confirm) of NATAC, a company with Total EV of EUR 316Mn; 35x EV/EBITDA 23e, have accepted the integration into IFFE Futura, a company with an EV of EUR 49Mn, including convertible notes (both valuations were verified by independent expert EY) through a non-cash (EUR 216Mn) and cash (EUR 55Mn) rights offering (both at a price per existing share of EUR 0.675; >37.5% discount to the latest closing price). Agreed take-up of the cash rights issue (with no pre-emptive subscription) stands at EUR 38Mn (Inveready will contribute EUR 7Mn in addition to the EUR 9Mn it has already agreed in convertibles).

...PAVING THE WAY FOR A "REAL" STEP-UP IN SCALE. In 2022, NATAC (20%-owned by IFFE Biotech, an IFFE Futura group subsidiary) obtained revenue of roughly EUR 22Mn (vs EUR 0.9Mn by IFFE) and EBITDA of EUR 8Mn (EBITDA margin of 36%).

THE DEAL WILL CREATE A COMPLETELY NEW COMPANY AND 100% OMEGA-3. The new group will have three plants (a IFFE Biotech plant in A Coruña and two NATAC plants, one in Caceres and one in Cordoba). It will be fully dedicated to the research, extraction and distribution of natural ingredients (essentially plant extracts) and the development of refined Omega-3. The agreement includes the disposal of IFFE's consultancy business before the completion of the transaction (sale of EUR 1 worth of assets to David Carro plus an earn-out of 5% of post-merger transactions over a 5-year period).

A PROJECT WITH A STRONG GROWTH ELEMENT IN TERMS OF SECTOR AND SIZE. The three main post-merger organic growth drivers will be: i) penetration of new markets, by adding organic products to the portfolio to expand the customer base, ii) the Sustainext project (recipient of European aid), which will entail implementing technical upgrades at the Caceres plant (higher production at a lower cost), and iii) diversification into sectors that contribute higher added value (pharmaceuticals).

RENEWAL OF CORE SHAREHOLDERS. Full conversion of Inveready's notes (EUR 0.33/share) and 100% subscription by NATAC of the non-cash rights issue, plus 100% subscription of the cash rights issue (EUR 0.675/share), would result in the issuance of 428.98Mn shares (vs 37.8Mn at present). This dilutive impact for current shareholders would be 92%, making NATAC shareholders the *de facto* core shareholders of IFFE, with c.67% of the share capital (including convertibles; post-conversion Free float of c. 11%). The agreement also includes an 18-month lock-up period (i.e. no sale of shares) for NATAC shareholders and a 6-month lock-up period for IFFE shareholders after the new shares are admitted to trading. IFFE shares are expected to then be traded on BME Growth's continuous market, rather than on the Fixing system.

COMPLETION OF IFFE'S STRATEGIC TURNAROUND, WHICH WAS ALREADY EXPECTED AFTER INVEREADY BOUGHT IN. By securing the financing arrangements needed to complete the Omega-3 plant (expected entry into production in 2024e) in A Coruña, IFFE's strategy took at 360° turn, culminating with the joint corporate deal with NATAC Group. The broad product range and diversified customer portfolio should generate synergies once production at the Omega-3 plant starts up. The move creates a new company with sound fundamentals (pro forma 2023e revenue of EUR 28.6Mn and EBITDA of EUR 9Mn, and DN at year-end 2023e of EUR 50Mn).

Appendix 1. Natac Group

Natac Group, founded in 2010 and headquartered in Madrid, is a business group that specialises in the research, development, manufacture and distribution of natural ingredients, primarily plant extracts. It has two production plants (Caceres and Cordoba) and uses a B2B model, with products based on a wide range of plant extracts. Its main markets are nutraceuticals, pharmaceuticals, cosmetics, animal nutrition and food & beverages.

Appendix 2. Total no. of shares post-conversion and maximum dilution (%) to be assumed

Shareholder	Number of shares today	Convertible loans	Capital increase (Non-cash)	Capital increase (Cash)	Total
David Carro	6,326,561	-	-	-	6,326,561
Inveready	2,804,246	27,500,000	-	10,370,370	40,674,617
Key Wolf	1,893,433	-	-	-	1,893,433
NATAC Shareholders	-	-	320,000,000	0	320,000,000
Investors already agreed	-	-	-	45,925,926	45,925,926
Free Float	26,768,837	-	-	25,185,185	51,954,022
Total shares	37,793,078	27,500,000	320,000,000	81,481,481	466,774,559

Maximum dilution to be assumed (%)

Shareholder	Number of shares today (%)	Accumulated after total conversion (%)	Dilution (%)
David Carro	16.7%	1.4%	-91.9%
Inveready	7.4%	8.7%	17.4%
Key Wolf	5.0%	0.4%	-91.9%
NATAC Shareholders	0.0%	68.6%	100.0%
Investors already agreed	0.0%	9.8%	100.0%
Free Float	70.8%	11.1%	-84.3%
Total shares	100.0%	100.0%	n.a

Note 1: Dilution in the preceding tables was calculated assuming: i) 100% subscription by Natac shareholders and ii) 100% conversion of the convertible notes.

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	40.8	
+ Minority Interests	0.0	12m Results 2022
+ Provisions & Other L/T Liabilities	0.0	12m Results 2022
+ Net financial debt	4.9	12m Results 2022
- Financial Investments	5.8	12m Results 2022
+/- Others ⁽¹⁾	9.3	Lighthouse
Enterprise Value (EV)	49.3	

(1) Additional CAPEX agreed for the completion of the omega-3 plant.

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
12-Jul-2023	n.a.	1.08	n.a.	n.a.	Important news	Luis Esteban Arribas
12-Jun-2023	n.a.	1.08	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
26-Oct-2022	n.a.	0.58	n.a.	n.a.	6m Results 2022	David López Sánchez
20-Jun-2022	n.a.	0.57	n.a.	n.a.	Important news	David López Sánchez
25-Oct-2021	n.a.	0.68	n.a.	n.a.	6m Results 2021	David López Sánchez
18-May-2021	n.a.	1.00	n.a.	n.a.	Important news	David López Sánchez
23-Feb-2021	n.a.	1.23	n.a.	n.a.	Important news	David López Sánchez
28-Oct-2020	n.a.	1.85	n.a.	n.a.	6m Results 2020	David López Sánchez
09-Jul-2020	n.a.	1.85	n.a.	n.a.	Initiation of Coverage	David López Sánchez

