FacePhi

EQUITY - SPAIN
Alternative Equity Market (MAB)
Sector: Technology - Software

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FacePhi (FACE) is a small Spanish tech company (Market Cap: EUR 30Mn), based in Alicante and created in 2012, specialising in the development and marketing of biometric software for facial recognition, with a strong focus on the financial sector (mainly in Latam: 85% of revenue). It has been listed on the Mercado Alternativo Bursátil (MAB) since 2014.

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Market Data

Market Cap (Mn EUR and USD)	29.7	33.1
EV (Mn EUR and USD) (1)	31.7	35.3
Shares Outstanding (Mn)	13.3	
-12m (Max/Med/Mín EUR)	2.36 / 1.79 / 0.75	
Daily Avg volume (-12m Mn EUR)	0.09	
Rotation(2)	76.9	
Thomson Reuters / Bloomberg	FACE.MC / FACE SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Salvador Martí Varó	10.1
Javier Mira Miró	9.5
Juan Alfonso Ortiz	8.8
Nice & Green	2.2
Free Float	68.5

Financials (Mn EUR)	2018	2019e	2020e	2021e
Adj. nº shares (Mn)	13.2	13.6	13.6	13.6
Total Revenues	4.5	8.1	9.3	10.4
Rec. EBITDA(3)	0.2	1.6	2.7	3.2
% growth	*150.8*	*836.0*	*71.9*	*18.7*
% Rec. EBITDA/Rev.	*3.7*	*19.5*	*29.0*	*30.7*
% Inc. EBITDA sector(4)	*15.2*	*18.5*	*18.6*	*17.5*
Net Profit	1.2	1.4	2.2	2.6
EPS (EUR)	0.09	0.11	0.16	0.19
% growth	*219.4*	*19.1*	*53.8*	*19.9*
Ord. EPS (EUR)	0.02	0.10	0.16	0.19
% growth	*n.a.*	*387.7*	*57.1*	*19.9*
Rec. Free Cash Flow(5)	0.1	-1.7	1.1	1.5
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	1.9	3.1	2.0	0.5
ND/Rec. EBITDA (x)	11.5	2.0	0.7	0.2
ROE (%)	*58.8*	*40.4*	*39.2*	*32.9*
ROCE (%)(6)	*24.7*	*26.5*	*29.2*	*30.1*

Ratios & Multiples (x)(7)				
P/E	25.2	21.2	13.8	11.5
Ord. P/E	n.a.	21.6	13.8	11.5
P/BV	11.5	6.6	4.4	3.2
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	7.06	3.93	3.40	3.04
EV/Rec. EBITDA	n.a.	20.2	11.7	9.9
EV/EBIT	35.0	19.0	11.9	10.1
FCF Yield (%)(5)	*0.4*	*n.a.*	*3.8*	*5.0*

(1) Please refer to Appendix 3.
(2) Rotation represents the % of the capitalisation traded - 12m.
(3) FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.
(4) Sector: TRBC Europe Technology Index.
(5) Based on recurrent FCF. Please refer to Appendix 2.
(6) Calculated with a theoretical tax rate. Please refer to Appendix 2.
(7) Multiples and ratios calculated over prices at the date of this report.

On the banks of the Rubicon

WE CONSIDER THE TAKE-OFF STAGE OF THE BUSINESS OF 2014-2018 TO HAVE CONCLUDED. It wasn't until 2018 that the effects of business growth were reflected in the P&L which, after eight years of activity, seems to have reached a theoretically optimum point.

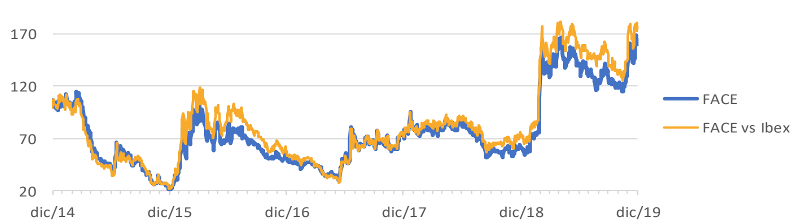
2019E: A SIGNIFICANT STEP-UP IN SCALE, with CAGR for revenue of 32.5% for 2018-2021e. Everything hinges on: (i) the already strong positioning in Latam, where FACE has acquired significant experience in recent years, and (ii) the capacity for customer renewal (we work on the demanding assumption of 80% renewal).

THAT WILL BE TRANSLATED ALMOST ENTIRELY TO EBITDA. High operating leverage and an undemanding cost structure enable the company to aspire ("mathematically") to strong increases in margins with double-digit revenue growth. The step-up in size expected in 2018-2021e will boost the margin to c. 30% (vs break-even in 2018).

OUR CENTRAL SCENARIO. Our central scenario today is for the consolidation of Recurrent EBITDA of EUR 3.0Mn in 2020e- 2021e, with turnover of c. EUR 10Mn which implies the generation of positive FCF as early as 2020e (FCF yield c. 5%). And gearing below 1x ND/EBITDA 2021e although under pressure from the collection period (which has remained very long in recent years).

BUT FACE'S REAL "RUBICON" IS TO GROW REVENUES IN 2020-2021. The theoretical opportunity for growth is evident as is FACE's ability to squeeze the most out of any increase in revenues. However, risk has not disappeared and is strictly commercial although perhaps the most interesting aspect is that this growth opportunity can be achieved with a certain resilience in terms of break-even. Licence renewal rates of only 40% and declines (-15%) in the capture of new users in 2020e would still allow the company to achieve positive EBITDA. The company is facing its "Rubicón" in 2020e.

Relative performance -5y (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	16.4	21.1	157.5	198.7	206.8	60.0
vs Ibex 35	12.0	15.0	134.8	165.2	197.9	72.4
vs Ibex Small Cap Index	14.4	18.6	138.0	173.7	129.5	3.6
vs Eurostoxx 50	15.7	15.7	111.2	141.0	168.8	35.1
vs Sector benchmark(4)	12.7	10.3	89.0	115.7	104.4	-12.2

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

FacePhi (FACE) is listed on the Alternative Equity Market (MAB)

MAB is owned and operated by the Spanish Stock Exchange (BME) and is subject to the CNMV supervision. MAB is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID).

MAB is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in the MAB started in July 2009. There are currently 39 growth companies and 78 REITs listed on it.

Now (after achieving break even) the challenge is to exploit the theoretical growth potential

FACE joined the MAB in June 2014 without revenue or clients in what was still an embryonic sector (especially in Europe), signing its first contracts in the Latin American market in 2015. The commercial capacity acquired since 2015 has resulted in both client numbers and revenues taking off, pushing recurrent EBITDA above break even in 2018.

Now there is only one question: is what we have seen so far sustainable? To answer this question we need to analyse briefly the take-off of the business in 2014-2018 which should allow us to assess whether the current situation of strong growth and margin expansion is sustainable.

A) 2014 -2018: Take-off of the business reaching break even in recurrent EBITDA.

Starting from "zero" in 2014, FACE multiplies its revenues by c.4x (2015-2018) …

Created in 2012 on the basis of a proprietary algorithm of facial recognition, FACE did not achieve its first revenue until the end of 2014. However, it wasn't until 2018 that the effects of the growth of the business began to impact the P&L. This period was characterised by:

- **The positioning in Latam as the main driver of business growth (85% of 2018 revenue),** where FACE signed its first contracts in 2015 thanks to laxer regulations that allowed it to apply its facial recognition technology in the financial sector before it did so in Europe.

… Reaching break even at recurrent EBITDA level in 2018 (EUR 0.2Mn)

- **With high operating leverage that enabled the company to exceed break-even:** Recurrent EBITDA 2018 of EUR 0.2Mn (adjusted for revenues from subsidies and capitalisations).

And acceptable financial leverage (c. 2x ND/EBITDA 2019e)

- **And financing, principally, via capital increases and subsidies.** Given the size and business moment of the company, the capital necessary for its development has mainly come from: (i) successive capital increases in a cumulative amount of EUR 2.5Mn and (ii) a non-repayable subsidy obtained in 2016 in an amount of EUR 1.7Mn (already fully collected in 2019) which has allowed FACE to reach break even without high leverage.

B) 2019e-2021e: A significant step-up in scale. Especially in 2019e.

We consider the take-off period of revenue and EBITDA of 2014-2018 to have concluded in 2019; confirming the company's progress to positive recurrent EBITDA with strong revenue growth (+79.5%) that, purely by taking advantage of the business' operating leverage, should enable FACE to achieve Rec. EBITDA of c. EUR 1.6Mn. The main levers that we think will drive the business in 2019e-2021e are as follows:

Double-digit revenue growth (+32.5% CAGR 2018-2021e)…

- **Capitalise on its already strong positioning in Latam, a market where FACE has acquired significant experience in recent years** and that will allow it to increase the number of new users of annual licences. FACE's goodwill in Latam is an important asset as regards continuing to grow in the region. Despite this we work on the conservative assumption of low growth in new users (+5%, 2020e).

- **The ability to renew clients:** as the main lever of revenue growth. We work on the demanding assumption that 80% of annual licences will be renewed (c. 50% of the total).

… And consolidation of recurrent EBITDA of c. EUR 3Mn in the medium term

- **And taking advantage of its high operating leverage,** which will allow a solid expansion of the EBITDA margin to levels of c. 30% from 2020e (Rec. EBITDA of c. EUR 3Mn vs EUR 0.2Mn in 2018) and which confirms that the theoretical capacity for growth in EBITDA, EBIT and NP, if a high volume of revenues is achieved, is very large.

Our central scenario today is for the consolidation of Recurrent EBITDA of EUR 3.0Mn in 2020e-2021e, with turnover slightly below EUR 10Mn and gearing of less than 1x ND/EBITDA 2021e although under pressure from the collection period (which has remained long in recent years).

Although not without risk …

The theoretical opportunity for growth is evident but risk has not disappeared. The renewal of only 40% of the contracts signed in 2019e and a fall of -15% in new users, would have a very negative impact on EBITDA 2020e (c. -50%) which, despite this, would remain above break even (EBITDA margin c. 20%).

2020e Revenues. EBITDA and EBITDA margin sensitivity to changes in % of new licenses and % of renewals

2020e Total Revenues		% Renewal of licenses			
		40.0%	60.0%	80.0%	90.0%
% New licenses	-15%	8.2	8.6	8.9	9.1
	-5%	8.5	8.8	9.2	9.4
	5%	8.6	9.0	9.3	9.5
	15%	9.0	9.4	9.7	9.9

2020e EBITDA		% Renewal of licenses			
		40.0%	60.0%	80.0%	90.0%
% New licenses	-15%	1.6	2.1	2.5	2.7
	-5%	1.8	2.2	2.6	2.9
	5%	1.8	2.3	2.7	2.9
	15%	2.0	2.5	2.9	3.1

2020e EBITDA margin		% Renewal of licenses			
		40.0%	60.0%	80.0%	90.0%
% New licenses	-15%	19.6%	24.0%	28.0%	29.9%
	-5%	20.6%	24.8%	28.7%	30.5%
	5%	21.1%	25.2%	29.0%	30.8%
	15%	22.5%	26.3%	29.9%	31.6%

C) Conclusion: The theory says that growth could be very high, the only risk is commercial

The starting snapshot is impeccable. After eight years of activity the company has reached a theoretically optimal point, obvious in a small company with a significant growth opportunity (what happened in 2016-2019e is illustrative: multiplying revenues x4). Why is there an opportunity now?

- Goodwill in Latam and new clients (Caixa Bank, for example) which in themselves are a guarantee of the solvency of FACE’s facial recognition solution.

- A financial structure with low leverage and the ability to generate positive FCF from 2020.

- High operating leverage and an undemanding cost structure which enables the company to aspire (“mathematically”) to strong increases in margins with double-digit revenue growth (+15.6%, 2020e; +12.2%, 2021e) with an EBITDA margin c.+11p.p (2021 vs 2019).

The model reveals the opportunity but this has to be executed in the next two years. What are the risks? From a macro viewpoint: regulatory and technological but more than these the risk is commercial. Everything revolves around two strictly micro variables: the ability to renew contracts and to capture new users.

Our central scenario is for the consolidation of EBITDA of c. EUR 3.0 Mn in 2020-2021, with turnover slightly below EUR 10 Mn and gearing below 1x ND/EBITDA. All based on a licence renewal rate of 80% and on FACE’s ability to maintain the same level of capture of new users as seen in 2019. We do not envisage explosive growth in turnover but we do envisage the consolidation of a level of EBITDA that implies a FCF yield of c.5% 2021e.

Perhaps the most interesting aspect is that this growth opportunity can be achieved with a certain resilience in terms of break even. Licence renewal rates of only 40% and declines (-15%) in the capture of new users would leave the company above break even.

But FACE’s “rubicon” is to grow revenues in 2020-2021 and enjoy the consequences.

Biometric solutions for the financial sector

Chart 1. Revenues and number of users (2015-2018)

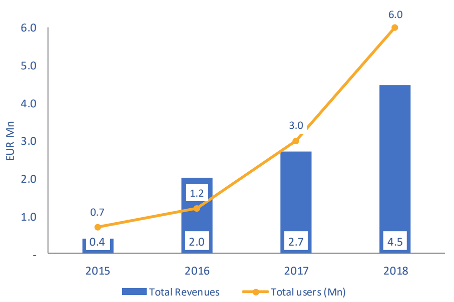
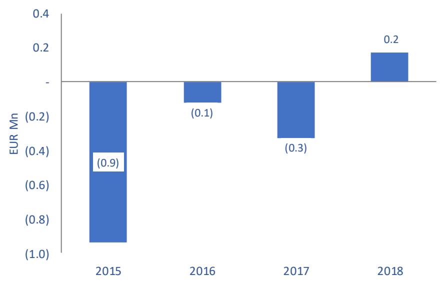


Chart 2. Recurrent EBITDA (2015-2018)



Note: Recurrent BITDA includes trade credit impairments and excludes: (i) the income from subsidies (c. EUR 0.6Mn in 2018) and (ii) the activation of R&D expenses (c. EUR 0.5Mn in 2018)

Chart 3. Revenues geographic split (2018)

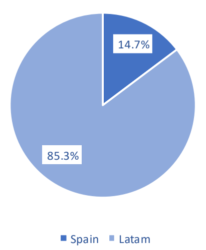


Chart 4. Customer and country selection [1]

Facephi (FACE) is a small Spanish tech company (Market Cap: EUR 30Mn), based in Alicante, specialising in the development and sale of biometric software for facial recognition, with a strong focus on the financial sector.

Created in 2012 on the basis of a proprietary facial recognition algorithm, the company markets various biometric solutions[2] (facial, ocular, digital onboarding and voice) mainly for the financial sector (mobile banking, ATMs and the opening of bank accounts) although its core business (and revenue base) is biometrics for facial recognition marketed via two products: (i) facial biometric authentication to access and approve transactions with a selfie and (ii) digital onboarding, enabling an account to be opened or a financial product obtained by capturing an ID document and taking a selfie (a solution that will apparently be the main driver of company revenues in the short/mid term).

Biometric solutions are marketed through two types of licence for use (c. 85% of 2019e revenues): (i) annual ones, priced according to the number of users and which represent c.50% of revenue at present (with an annual renewal rate of c.80%) and (ii) perpetual ones, via a single payment for an unlimited period of use and a price based on the number of users.

In addition to the revenues obtained via the sale of licences of use, and regardless of whether the licence has been sold via an annual or perpetual contract, the company invoices c. 20% of the total amount contracted as support and annual maintenance (c.15% of 2019e total revenues).

Its main competitors include listed companies such as Gemalto (bought by Thales in 2019), NEC (Japan) and Aware (US), and many other unlisted ones such as Onfido, Idemia, Daon, Entrust, Jumio; and, at a domestic level, Herta Security.

The company's positioning in Latam has been the main growth driver (and will remain so in coming years)

FACE joined MAB (the alternative securities market) in June 2014 with neither revenues nor clients in a sector still at the "take off" stage (especially in Europe), signing its first contracts in the Latin American market in 2015 where laxer regulations allowed it to use its facial recognition technology in the financial sector more quickly.

The commercial capacity acquired since 2015 has resulted in a step-up both in users and revenues, that in 2018 reached c. 6Mn (vs <1Mn 2015) and EUR 4.5Mn, respectively; with the Latin American market maintaining its dominance in the P&L (> 85% of revenues). Boosting recurrent EBITDA (adjusted for subsidies and the capitalisation of expenses) to above break even (EUR 0.2Mn; chart 2).

FACE continues to focus on improving its position in Latam with the opening of new markets (2019) such as: (i) Uruguay (HSBC), (ii) Peru (BCP) and (iii) Panama (Banco General). We expect the consolidation of the Latam market to be the main driver of revenue growth in coming years (maintaining a stable contribution > 80% of revenues; although without a presence in Brazil). At the same time, and with the aim of beginning to commercially develop the Asian market, in June 2019 a subsidiary was created in Pangyo (Seul) with a team of three people.

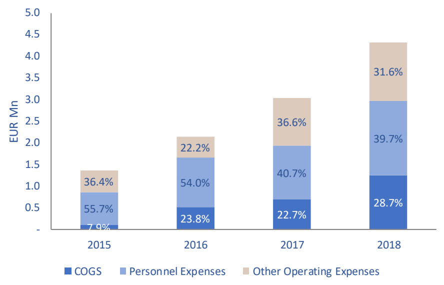
The European market remains on "stand by" for FACE, with a still small presence in Spain (c. 15% of 2018 revenues) although the first projects are beginning to be developed, the most noteworthy being the one developed with Caixabank and Fujitsu (February 2019) to adapt facial recognition technology to their ATMs.

[1] In addition, the company maintains a presence in Bolivia, Paraguay, Guatemala, Honduras, Salvador, Costa Rica and Spain.

[2] Facial recognition technology is developed using proprietary software, with the other biometric solutions sold being third party products.

We believe the development of the business in the European market will largely depend on the regulatory environment and will be one of the main catalysts of revenue growth in the mid/long term (> 3 years).

Chart 5. OPEX composition (2015-2018)

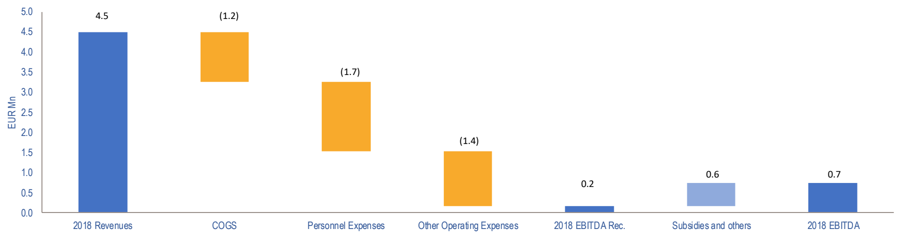


High operating leverage that enabled the company to achieve break even in 2018

Personnel costs are FACE's main expense item (EUR 1.7Mn in 2018; +39% vs 2017) associated with an average headcount of 23 employees comprised of: (i) Software developers (56%), (ii) an admin. team (26%) and (iii) business development (18%).

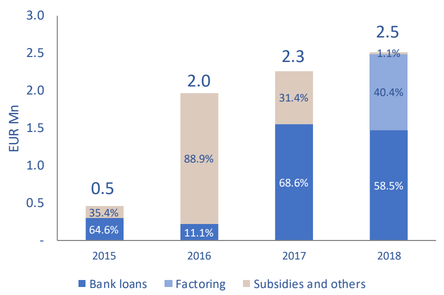
As the technology has already been developed and does not require significant additional investment (CAPEX close to zero), an increase in the number of users will not require a significant increase in costs (c. 45% of the current cost structure is fixed). Accordingly, FACE's business has significant room to grow: taking advantage of its high operating leverage on the already developed technology and the commercial capacity acquired in recent years.

Chart 6. From revenues to EBITDA (2018)



This ability to grow thanks to its operating leverage can clearly be seen in the company's figures for 2108, when a 66% increase in revenues implied an increase in costs of < 45% (mainly due to a c. 60% increase in the cost of sales), which means the marginal cost per unit sold is small. If a large volume of revenues is reached the theoretical capacity for growth (EBITDA, EBIT, NP) is very high.

Chart 7. Gross Debt (2015-2018)



How has this growth been funded?

Given the size and business moment of the company, the capital necessary for its development, since its beginnings, has mainly come from two sources: (i) Successive capital increases in amounts of EUR 1.3Mn (2014), EUR 0.6Mn (2015) and EUR 0.6Mn (2016) and (ii) a non-repayable subsidy received from the European 2020 programme mid 2016 in an amount of EUR 1.7Mn (already fully collected).

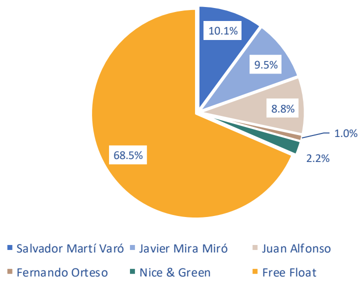
FACE's current debt mainly comprises short term bank loans (EUR 1.5Mn in 2018; c. 60% falling due < 1 year) and (ii) the financing of working capital (EUR 1.0Mn in 2018; c.40% of gross debt). In 1H19, net debt was EUR 2.4Mn (+25% vs 2018; c. 1.5x EBITDA 2019e), so new capital with which to fund growth will very probably come from further increases in equity.

A company controlled by its Board of Directors

With no significant shareholding being held by institutional investors, the Board of Directors is the core shareholder, with direct and indirect control of c. 30% of capital, mainly through the stakes of its founding partners: Salvador Martí (10.1%), Javier Mira (9.5%) and Juan Alfonso Ortiz (8.8%). Leaving a free float of c. 68,5% (approximately).

In addition to the current shareholder structure, in September 2019 an investment agreement was signed with Nice&Green (a Swiss institutional investor heavily specialising in the funding of listed Small Caps) with the goal of providing FACE with an appropriate level of equity with which to finance its organic growth.

Chart 8. Shareholder structure (post-capitalisation of N&G's loan)



Note: The shareholder structure at the date of this report includes the dilution effect linked to the conversion of N&G's participatory loan : for EUR 0.5Mn by the issuance of 292,056 shares (whose capitalization will be proposed at an extraordinary general meeting on December 20 and 21).

The agreement is for a total amount of EUR 4.0 Mn to be implemented via: (i) a EUR 0.5Mn participatory loan (already received and proposed to be capitalised for c. 2.2% of capital via a capital increase by the offsetting of credit balances) and (ii) the issuance of warrants (put warrants; sell option) in a maximum amount of EUR 3.5Mn until September 2020. Given their nature (put warrants), FACE is not obliged to issue 100% of the warrants and will decide on a level of funds (and of the dilution to be assumed) according to the share price (the warrants will be issued at 92% of the trading price) and the capital requirements.

In the event that all the warrants established in the agreement were to be issued for an amount of EUR 3.5Mn at a conversion price of EUR 2.06 (an 8% discount on the share price at the date of this report), Nice&Green would own c. 13% of capital (Table 1 ; central scenario). Current shareholders seeing a dilution of c. 11%.

However, the rate and volume of the warrants issue is decided by the Board of Directors (depending on the share price), so it is possible that less than 100% of the warrants will be issued. The maximum dilution to be assumed by the company in scenarios where the maximum amount (EUR 3.5Mn) is issued is as follows:

- Dilution of c.11% in the central scenario (conversion at a price of 2.06 EUR/share; 8% discount on the current price).
- With a 20% premium on the current price, we estimate dilution of c. 9,4%.
- With a 20% discount on the current price, we estimate dilution of c. 13,5%.

Table 1. Impact of the conversion N&G's warrants in the shareholding structure

		Conversion price (€)				
Shareholder	% Share	1.65	1.85	2.06	2.27	2.47
Salvador Martí	10.1%	8.7%	8.8%	9.0%	9.0%	9.1%
Javier Mira	9.5%	8.2%	8.3%	8.4%	8.5%	8.6%
Juan Alfonso Ortiz	8.8%	7.6%	7.7%	7.8%	7.9%	8.0%
Fernando Orteso	1.0%	0.8%	0.9%	0.9%	0.9%	0.9%
David Devesa	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nice & Green	2.2%	15.4%	14.1%	13.0%	12.1%	11.4%
Free Float	**68.5%**	**59.2%**	**60.1%**	**60.9%**	**61.5%**	**62.0%**

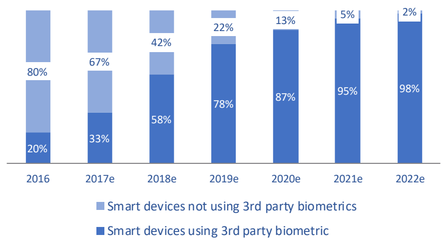
Note: The scenarios calculated assume that the company issues the total amount of the warrants (EUR 3.5Mn). If the issue of warrants were c. EUR 1.75Mn (50%), Nice&Green's shareholding in the central scenario would be 7.9% (Free Float of 64.5%; dilution of c.6%). The conversion prices used in this sensitivity analysis already include the 8% discount on the share price (as of the date of this report).

Biometrics: a critical tool for the digital transformation of the financial sector which creates niche opportunities

FACE operates in the tech sector, in the software development subsector, and specialises in biometrics, creating products and solutions for the financial sector. Biometrics is an identification technology based on the recognition of people's physical and unique characteristics, such as, for example, fingerprint or facial recognition. Used by governments, airports and defence and security companies, in recent years it has become increasingly popular in many other sectors and consumers. According to figures provided by Statista, c. 75% of consumers use some kind of biometric solution, the most common uses being to unblock mobile phones and approve financial transactions.

Biometric technology is becoming used so much in mobile devices that, according to industry sources, c. 90% of intelligent devices manufactured in 2020 will contain some kind of biometric technology (reaching c. 100% between 2021 and 2022). In addition to mobile hardware, the software of many applications (especially in the financial sector) offers biometric platforms; making the development of software for biometric solutions (as opposed to hardware) one of the sector's main growth levers.

Chart 9. Use of third-party biometric solutions in smart devices

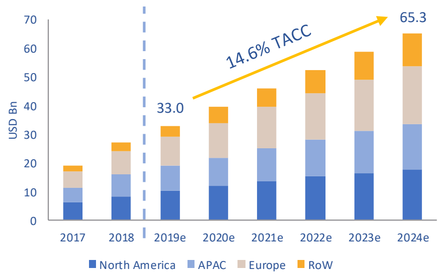


Source: Acuity, 2017

Biometrics: an emerging high growth industry (+15% CAGR 2019-2024)

The global biometric authentication and identification market is one of the industries with highest growth, as, despite the significant growth of recent years, it is still at an embryonic stage. According to Markets and Markets (chart 10), it is expected to grow at a CAGR of 14.6% in 2019-2024, reaching a volume of USD 65.3Bn in 2024 (vs USD 33.0Bn in 2019; c. +100% in 5 years). The main growth lever will be the increased use of biometric solutions to: (i) access, (ii) authenticate and (iii) operate services and products on web-based and mobile applications.

Chart 10. Global biometrics market geographic split



Source: MarketsandMarkets, 2019

Fingerprint biometrics is the most common (and oldest) technology in the industry (c. 52%), followed by facial recognition (c.10.5%) where FACE generates the bulk of its revenues.

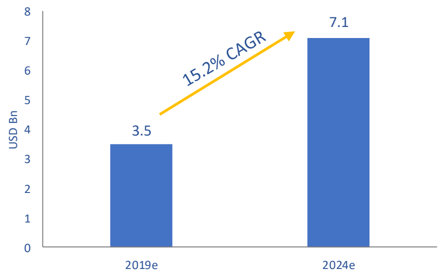
Table 2. Biometric systems use by sector and growth rates (2016)

Sector	Applications	% of biometrics market	Expected CAGR 2016-2020
Finance	Financial identification, verification, authentication. Account management.	25%	**25%**
Retail	Leveraging of existing hardware, higher product individualization, etc. Checkout, customers and shoplifters identification.	20%	**22%**
Healthcare	Increase security, convenience and organization in the management of health records.	17%	**24%**
Travel	For check-in processes and room-access. Automation of identification and compliance proces-ses for hospitality and transport companies.	15%	**27%**
Government	Secure management of public records. Citizen ID management. Border control & airport control. Justice and law enforcement.	12%	**22%**
Defense	Secure data sharing, increased weapon security, etc.	11%	**7%**

Fuente: Nuance

The main markets for these solutions are: (i) financial services (25%), the main market for FACE's solutions, and (ii) retail (20%); both expected to show double-digit growth rates (above 20%). Geographically, the US and Canada was the main market in 2018 (31%), followed by Europe (30%) and Asia (28%).

Chart 11. Market size of the facial recognition systems



Source: MarketsandMarkets

Facial recognition: at the take-off stage and with room for niches

c. 94% of smartphones include fingerprint sensors, making fingerprint recognition the most common biometric solution at present. However, as smartphone cameras improve, and new technology is developed (such as 3D facial recognition; already incorporated by Huawei), facial recognition is expected to reach similar levels of use in the next five years (Juniper Research); gaining ground on the use of fingerprint recognition.

Within the biometrics industry, facial recognition is one of the highest growth segments, and, according to Martketsandmarkets, will reach a volume of USD 7.1Bn in 2024e (vs USD 3.5Bn in 2019e; growth of c. 100%; in line with the biometrics sector). By geography, although the US and Canada is the main market representing c. 25% of total consumption (USD 0.5Bn in 2016), Asia will be the region with the highest growth in coming years.

In the facial recognition segment, financial institutions will maintain a position of leadership by volume of consumption, as in coming years they will continue to invest heavily in disruptive technologies (in a context of digital transformation); including facial recognition solutions that will: (i) improve services (such as digital onboarding), (ii) optimise security and (iii) reduce costs while improving user experience. Against this backdrop, in which not all software will be appropriate for all sectors (the financial sector being one of those which demands greatest security), niches are feasible.

Tailwinds are blowing. Although regulation is the main uncertainty

Within the financial sector, the main trends that will underpin growth in the biometrics industry are:

- A context such as the present one, characterised by the digital transformation, with cybersecurity being one of the main concerns of financial entities.
- The continuous integration of smartphones with biometric solutions: in 2020 global mobile transactions will reach a volume of USD 0.7Bn (vs USD 0.2Bn in 2014) with over 700 million users in 2020 (Biometrics Research Group).
- The increased use of biometric technologies to access, authenticate and operate services and products on web-based and mobile applications, offering greater security and a more intuitive user experience (vs traditional passwords).

In conclusion: The passwords and security questions financial entities require to verify that a person is who they say they are, are being complemented by biometric authentication solutions. These will make everyday procedures easier and less costly (such as digital onboarding; the focus of FACE's business) as they do not require the physical presence of customers. However, although this kind of product involves a very direct relationship between customer and supplier given the huge security levels required of this kind of solution, the risk of customer loss (due to changes in their preferences of use) is high.

Although biometric technology is very useful for increasing security and improving user experience, it is not free of risk. Consumer concern over data privacy is one of the main disadvantages, raising the possibility of even stricter regulation by the EU (as a result of the coming into force of Data Protection legislation a little over a year ago).

The second big risk for niche operators (such as FACE) is that of the market shifting towards solutions based on a different technology from theirs. The dynamism of the biometric based software sector as a whole means in the long term there will be winning and losing technologies.

A growth industry with high operating leverage What does its market performance tell us? And its multiples?

Finally, we have carried out a simple analysis of the market performance (-5Y) of a representative sample of niche players in the biometric software sector. These are small companies (all <1000 Mn EUR) almost exclusively dedicated to the development of software based on a biometric solution.

We do not include large and diversified tech companies, for whom biometrics is just another business in their portfolio (and in general of little relative importance).

From a point of view of performance, the tech sector clearly outperformed the listed biometric niche players (+47.8%, -5Y; +20.6%, 1y) with the tech sector outperforming the market as a whole (+60.2%, 5y; +15.9%, -1y).

But perhaps the most interesting indicator lies in the multiple. We have used as a reference the only acceptable multiple for an emerging sector in which many companies have yet to clearly exceed break even: EV/sales. This shows how against a backdrop of explosive growth in aggregate revenues (+50%, -5y) the market maintains biometric niche players in line with the tech sector (software) (EV/sales 2018 3.0 vs 3.0).

Chart 12. Biometric Niches vs Tech Sector (Euro Stoxx 600 Tech) performance

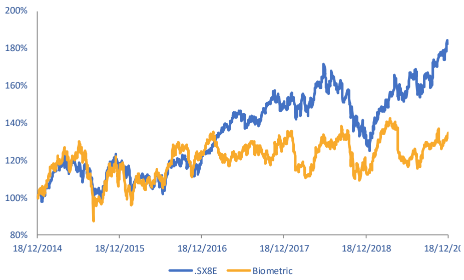
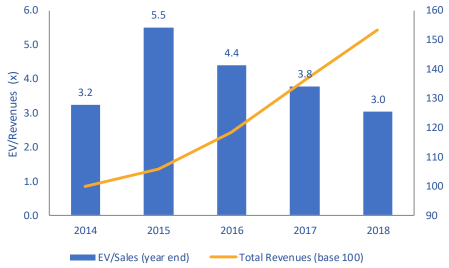


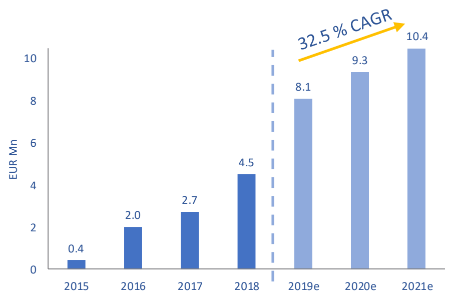
Chart 13. Biometric Niches [1]: EV/Sales vs Revenues (Base 100)



Note (1): The biometric niche sample includes 20 small size companies exclusively dedicated to the development of biometric solutions. The sample of companies is as follows:Aware, Inc, BIO-key, BrainChip, Holdings Ltd., CyberLink, Egis Technology, Elan, Microelectronics Corp., FacePhi, Fingerprint Cards, IDEX, Biometrics, ImageWare Systems, NEXT Biometrics Group, NXT-ID Inc, OneSpan, Precise Biometrics, RealNetworks (SAFR), Remark Holdings, Inc., Secunet, SuperCom Ltd., VerifyMe Inc., Mitek Systems, Inc., SmartMetric, Inc.

2018, break even; 2019e, a step-up in size; 2020e, ?

Chart 14. Revenues performance (2015-2021e)



Results for 2018 showed strong revenue growth (+66%) driven mainly by: (i) an increase in the number of customers and (ii) the opening of new markets, principally in Latam (85% of revenues). All this resulted in the company's sales taking off to EUR 4.5Mn (vs 0.4Mn in 2015) which, together with its high operating leverage, enabled FACE to exceed break even in recurrent EBITDA for the first time since its market debut in 2014 (EUR 0.2Mn; excluding revenues from subsidies and capitalised expenses).

Now the questions are: has the company left the take-off stage behind and is the current strong growth and margin expansion sustainable over the long term?

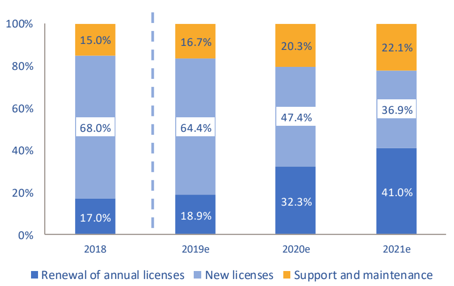
Strong revenue growth: +32.5% (CAGR 2018-2021e)…

In the last three years the company's P&L has been highly seasonal, generating c. 80% of its revenue in the second half of the year (especially in 4Q). This pattern of behaviour is explained by FACE's total dependence on the financial sector (and so on its budget management policy) and will continue going forward. To the extent the company remains 100% focused on this sector this seasonality will persist.

In this context, and after turnover of only EUR 1.1 Mn in 1H 2019 (+15%), we believe the increase in revenues of recent years will have its last hurrah in 2019e (+79.5%), maintaining a high growth rate in 2020e (+15.6%); and decelerating from 2021e (+12.2%). The double-digit growth in revenue estimated for 2018-2021e (32.5% CAGR) will be underpinned by:

- **The ability to renew licences,** as the main lever of revenue growth. We work on the assumption that 80% of annual licences will be renewed (c. 50% of the total) which will generate a sound revenue base; generating c. 50% of the total increase estimated for 2018-2021e (cumulative impact of EUR 3.5Mn; +77% CAGR 2018-2021e).

Chart 15. Revenues split (2018-2021e)



Note: We classify income into three different categories: (i) revenues from new licenses (both annual and perpetual), (ii) revenues from renewal of annual license contracts, and (iii) revenues from support and maintenance services.

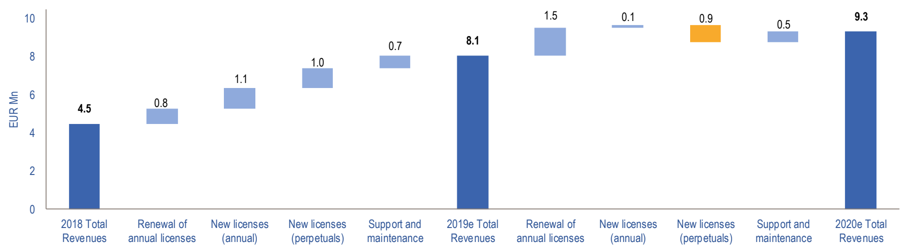
- **With growth in the volume of new licences,** mainly in 2019e due to the opening of new markets (especially in Latam). We expect FACE to focus on the sale of annual licences, (+20.3% CAGR 2018-2021e), reducing its dependence on revenues obtained from perpetual licences, for which we consider there is a greater commercial risk.

  In the case of annual licences the central scenario is one of renewal. While in the case of the capture of new perpetual licences the marketing effort has to be made from zero, without the momentum inherent to annual licences.

- **And in revenue from support and maintenance,** which will contribute c. 22.1% of revenues in 2021e (vs 15% at present) as a result of: (i) an increase in volume and (ii) in the number of perpetual licences accumulated (on which the company generates annual turnover of c.20% of the initial amount, in respect of support and maintenance). In 2019 we work on the assumption of support and maintenance revenues of c. 15% of the total amount contracted (vs 20% in 2018).

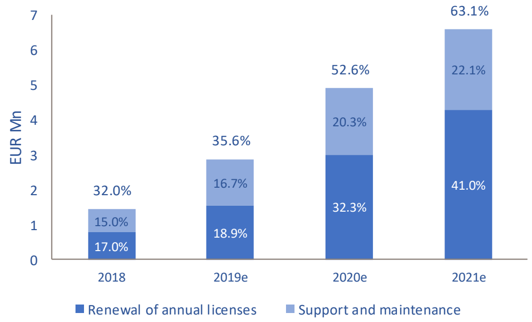
  This revenue has greater stability and recurrence and its tendency to gain in importance in the revenue mix implies a gradual reduction of the commercial risk of FACE's business model (currently hyper-dependent on obtaining new business from clients and markets from which it has yet to obtain revenue).

Chart 16. Decomposing revenue growth 2018-2020e



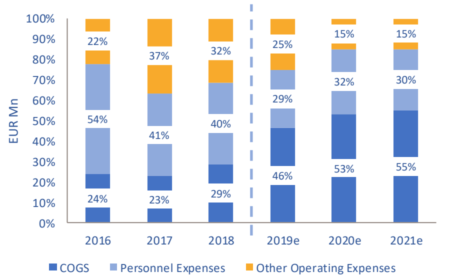
From the point of view of revenue from licences, the most interesting aspect is that, given the volume of revenue estimated for 2019e (+79.5% vs 2018), and maintaining a renewal rate of c. 80% of the annual licences sold, a solid base of recurrent revenues will be generated that will reduce the company's dependence on the capture of new clients (revenue from licence renewals c. 41% of revenue in 2021e vs 17% in 2018).

Chart 17. Revenues mix performance 2018-2020e



If we define recurrent revenue as the sum of the renewal of annual licences and support and maintenance revenue, the trend is for strong growth in recurrent revenue: rising from 32% of the sales mix in 2018 to 63% in 2021e.

Chart 18. Cost structure (2016-2021e)

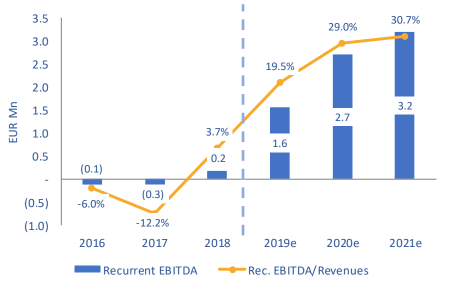


...which will boost margins to c. 30% of recurrent EBITDA 2020e: purely by taking advantage of the business' operating leverage.

We believe the company will achieve optimal operating profitability in 2019e, obtaining a gross margin of c. 63%, its main variable costs being: (i) sales commissions (c. 23% of revenues) and (ii) the purchase of third party licences (c.15% of revenue); both carried under "external services" in the P&L. We estimate the cost of sales will remain stable in the mid term, enabling the company to maintain a gross margin of c. 62% over the estimated period.

Personnel costs are FACE's main expense item (EUR 1.7Mn in 2018; 40% of total costs). An obvious strength of a software business like FACE's is its high operating leverage, which, with a high fixed cost base (c. 45% of total costs 2019e), will enable the company to generate large scale economies, levering its business on technology developed in-house, as the number of licences sold increases.

Chart 19. Recurrent EBITDA (2016-2021e)



Note: Recurrent BITDA includes trade credit impairments and excludes: (i) the income from subsidies (c. EUR 0.6Mn in 2018) and (ii) the activation of R&D expenses (c. EUR 0.5Mn in 2018)

Given the high operating leverage of the business and the step-up in size estimated in 2018-2021e, we expect solid growth in recurrent EBITDA to a margin of c. 30% in 2020e (Rec. EBITDA c. EUR 3Mn vs EUR 0.2Mn in 2018). However, we think the business' theoretical profitability will be impacted in 2019e by the recording of an impairment of non-recoverable trade loans in an amount of c. EUR 0.7Mn (c. 22% of accounts receivable 1H19), that would leave the 2019e recurrent EBITDA margin at c. 20%. This illustrates the risks associated with an emerging business with a focus on the acceleration of growth.

Below recurrent EBITDA, in the last two years the company's EBITDA (adjusted by capitalised expenses) was boosted by EUR 0.8Mn and EUR 0.6Mn in 2017 and 2018 respectively, as the principal consequence of the allocation to the P&L of the revenue associated with the subsidy obtained in 2016; with an impact < EUR 0.1Mn in 2019e due to its finalisation.

However, the take-off of revenues in 2018 (+66%) enabled the company to exceed break even (recurrent EBITDA) for the first time since its market listing, confirming the business' high operating leverage.

Chart 20. Revenue and EBITDA sensitivity to changes in the user renewal rate and an increase in users (2020e)

2020e Total Revenues

% New licenses	% Renewal of licenses: 40.0%	60.0%	80.0%	90.0%
-15%	8.2	8.6	8.9	9.1
-5%	8.5	8.8	9.2	9.4
5%	8.6	9.0	9.3	9.5
15%	9.0	9.4	9.7	9.9

2020e EBITDA

% New licenses	% Renewal of licenses: 40.0%	60.0%	80.0%	90.0%
-15%	1.6	2.1	2.5	2.7
-5%	1.8	2.2	2.6	2.9
5%	1.8	2.3	2.7	2.9
15%	2.0	2.5	2.9	3.1

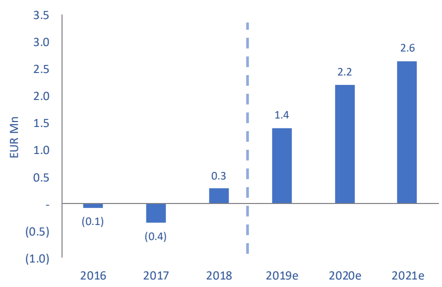
It is clear that in the next two years FACE's business will revolve around two parameters: the rate of renewal of licences and growth in new users. With a demanding assumption for renewals (80%/year) and a level of new users/year for annual licences close to that for 2019, we estimate (our central scenario) EBITDA of c.EUR 3Mn in 2020 (vs EUR 1.6Mn 2019e).

But the risk has not disappeared. The renewal of only 40% of the contracts signed in 2019e and a fall of -15% in new users, would have a very negative impact on EBITDA 2020e (c. -50%). Although still above break even (EBITDA margin c. 20%).

And keep ordinary NP above break even

After its market listing in 2014 (with no significant revenue or clients), the company presented ordinary net losses (excluding revenue from subsidies) until 2018, when the company reached break even at the ordinary NP level (EUR 0.3Mn; excluding c. EUR 0.6Mn in revenue from subsidies), although boosted by capitalised expenses (EUR 0.5Mn).

Chart 21. Ordinary net profit (2016-2021e)



With no significant impact of financial costs or taxes, the main items that we estimate below EBITDA from 2019e are: (i) the amortisation of intangibles with an impact of c. EUR -0.5Mn (29% of recurrent EBITDA 2019e) and (ii) capitalised expenses (EUR 0.5Mn; 35.7% of ordinary NP 2019e) corresponding to personnel costs directly related to software development (c. 5-6% of revenues); maintaining the aggressive expense capitalisation policy adopted by FACE in 2014-2018 (c. EUR 0.5Mn/year; 25% of total cumulative revenue during the period).

FACE holds c. EUR 0.4Mn of tax losses, that together with unused tax credits (the company had c. EUR 1.1Mn off the balance sheet at the 2018 close), will enable it to maintain a tax rate of 10% in 2019e. And c.15% until 2021e.

Working capital: the collection period in the spotlight

In 2014-2018 the company had very high working capital requirements, with a working capital/revenues ratio in 2018 > 50% (vs 75% in 2017; a reduction explained by the use of factoring in 2018 to the tune of c. EUR 1Mn) due mainly to a large amount of accounts receivable (EUR 2.4Mn in 2018; c. 78% of revenues); indicating that at present the company's collection periods are very long (> 200 days). The high working capital requirements are one of the main areas of FACE's business where it needs to improve, implying possible liquidity problems going forward if the number of impairments due to defaults were to increase (impact of c. EUR 0.7Mn on Rec. EBITDA 2019e).

We estimate that working capital requirements will remain unchanged in the short term, so the step-up in scale estimated for 2019e (revenues: EUR 8.2Mn; +80%) will have a significant impact on FCF 2019e (EUR -3.1Mn). However, a reduction in the number of perpetual licences over the long term (with higher volume but collection periods of close to a year) should help the company improve this ratio.

Chart 22. Free Cash Flow (2019e)

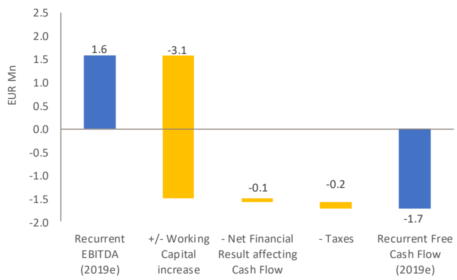
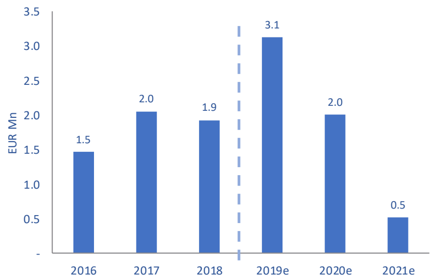


Chart 23. Net Debt (2016-2021e)



What FCF does FACE generate?

With zero CAPEX and a very small impact of financial costs and taxes, the main obstacle to CF generation will be working capital management. We estimate negative Rec. FCF in 2019e of EUR 1.7Mn due to investment in working capital (mainly via longer collection periods) to reach the estimated increase in revenues.

However, we expect positive Rec. FCF from 2020e as a result of lower estimated growth (Revenues 2020e: + 15.6%) that will require working capital investment of c. EUR 1Mn (40% of 2020e EBITDA) resulting in positive Rec. FCF of c. EUR 1.1Mn and a FCF Yield of c. 4% in 2020e (vs 6.5% for its main peers in 2020e). In addition to growth in turnover, the normalisation of the average collection period to close to 60 days is the main lever with which to increase cash generation going forward.

A comfortable financial position in theory from which to accelerate growth

In the first half of 2019, net debt was EUR 2.4Mn (+25% vs 2018; c. 1.5x EBITDA 2019e) corresponding mainly to: (i) short term bank loans and (ii) the funding of working capital.

With reasonable gearing metrics (we estimate net debt/rec. EBITDA 2019e of c. 2x), the capital structure does not seem to be a problem a priori. However, if the strong growth expected for 2019e were to be repeated in 2020e, the company will need to continue to invest in working capital (lengthening collection periods or increasing debt via factoring) so access to new capital for growth would very probably mean further increases in equity (and dilution). Our projections assume the capitalisation in 2019 of the participatory loan granted by Nice&Green (for EUR 0.5Mn); with warrants in a maximum amount of c. EUR 3.5Mn pending issuance, an option that will be decided by the Board of Directors (depending on the share price and the company's need for funds; see page 7).

In conclusion: 2019 consolidates the passing of break even and opens up the opportunity (and the risk) of growth

The snapshot is that of a company that has confirmed its progress to positive EBITDA in 2019e and with an acceptable level of debt (ND/EBITDA 2019e, 2x). Given its size and operating leverage, there exists the option of entering a stage of high growth in 2020-2021. Turnover above EUR 10 Mn (+25% vs 2019e) would imply EBITDA > EUR 3 Mn although subject to three big risks: i) regulatory/sectorial, ii) commercial and iii) financial (working capital could increase the needs for funds in a high growth context).

Our central scenario today is for the consolidation of EBITDA of c. EUR 3.0 Mn in 2020-2021, with turnover slightly below EUR 10 Mn and gearing below 1x ND/EBITDA.

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value [1]
Free Cash Flow "To the Firm"	**(1.7)**	**1.2**	**1.5**	**21.4**

			Best Case	Worst Case
Market Cap	**29.7**	At the date of this report		
Net financial debt	**2.4**	Debt net of Cash (6m Results 2019)		
Cost of Debt	5.0%	Net debt cost	4.5%	5.5%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**4.0%**	**Kd = Cost of Net Debt * (1-T)**	**3.6%**	**4.4%**
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	7.0%	R (own estimate)	6.5%	7.5%
Beta (B)	1.2	B (Thomson Reuters)	1.2	1.3
Cost of Equity	**8.9%**	**Ke = Rf + (R * B)**	**8.3%**	**10.2%**
Equity / (Equity + Net Debt)	92.5%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	7.5%	D	=	=
WACC	**8.5%**	**WACC = Kd * D + Ke * E**	**7.9%**	**9.8%**
G "Fair"	**2.0%**		**2.5%**	**1.5%**

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
CyberLink	5203.TW	280.5	26.5	22.3%	n.a.	5.6%	4.6	10.4%	2.3%	4.3%	17.0%
Egis Technology	6462.TWO	521.1	17.5	40.5%	13.6	45.6%	2.1	22.6%	15.4%	7.0%	61.8%
Elan Microelectronics Corp.	2458.TW	813.8	12.6	3.7%	10.1	8.3%	2.5	7.8%	25.1%	7.8%	6.8%
Mitek Systems, Inc.	MITK.O	266.7	n.a.	n.a.	31.2	79.2%	3.1	17.1%	9.8%	4.4%	n.a.
OneSpan	OSPN.O	663.0	39.7	32.0%	23.8	23.9%	2.6	8.1%	11.0%	n.a.	n.a.
Secunet	YSNG.DE	938.5	38.7	10.7%	22.4	9.7%	4.1	3.9%	18.2%	1.4%	47.8%
Suprema ID Inc.	317770.KQ	45.1	9.9	20.0%	4.3	27.7%	1.1	23.8%	26.4%	n.a.	n.a.
Biometrics (Niche Players)			24.2	21.5%	17.6	28.6%	2.9	13.4%	15.4%	5.0%	33.3%
Diebold Nixdorf Technology	DBD	755.5	n.a.	n.a.	6.9	9.4%	0.6	-1.0%	9.2%	10.0%	26.7%
NEC	6701.T	9,627.0	15.6	14.7%	7.4	5.3%	0.6	1.9%	7.9%	7.2%	23.2%
NICE	NICE.O	8,679.8	29.6	9.9%	19.0	9.7%	6.1	8.2%	32.1%	3.8%	15.4%
Synaptics	SYNA.O	2,065.9	n.a.	n.a.	20.0	31.6%	1.7	-5.4%	8.4%	5.7%	35.4%
Technological cias with exposure to biometrics			22.6	12.3%	13.3	14.0%	2.2	0.9%	14.4%	6.7%	25.2%
FACE	FACE.MC	29.7	21.2	35.8%	20.2	41.4%	3.9	13.9%	19.9%	n.a.	n.a.

Free Cash Flow sensitivity analysis (2020e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	32.0%	3.0	10.6x
Central	29.0%	2.7	11.7x
Min	26.0%	2.4	13.1x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 20e		
EBITDA 20e	0.8%	1.8%	2.8%
3.0	1.5	1.4	1.3
2.7	1.2	1.1	1.0
2.4	0.9	0.8	0.7

Scenario	Rec. FCF/Yield 20e		
Max	5.0%	4.7%	4.4%
Central	4.1%	3.8%	3.4%
Min	3.1%	2.8%	2.5%

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow:

1. **Project execution,** dependent on the founders (2012): Javier Mira and Salvador Martí (controlling shareholders and leaders of the management team since the creation of FACE), on whom business development and relations with core clients revolve.

2. **Renewal of the order book.** Most of FACE's contracts are for annual periods or a limited number of uses, thus only a small percentage of revenues is generated on a recurring basis (c. 30%). And there is high dependence on the renewal of current contracts and the capture of new clients.

3. **Competition and commercial risk:** High margin businesses such as FACE's (2019e recurrent EBITDA margin of > 20%) attract new market players, increasing competition and the commercial risk of a loss of customers and share. There is also a possible impact on margins from price wars to retain customers.

4. **Expansion in Latam,** where at present FACE carries out over 85% of its activity. Latam is one of the biggest opportunities to expand the company's business (given the more demanding biometric data processing regulations in Europe and the US). However, this would increase FACE's exposure to the region's macro situation, which is already an evident risk factor for the company.

5. **Forex risk:** FACE has significant exposure to the USD (100% of 2018 sales and c. 50% of the services received), with a net exposure of c. EUR 3.2Mn of transactions settled in 2018. Higher exposure to customers outside the Eurozone (Latam, Asia) will result in higher forex risk.

6. **Working capital management:** FACE has collection periods with customers of up to one year, so at 30 June 2019 a significant percentage of LTM revenue was pending collection (76%). Having such long collection periods (c. 230 days 1H19) in a high growth business necessarily means an increase in debt (mainly via factoring: EUR 1.0Mn at the 2018 close; 22% of revenues).

   Moreover, having such a large amount of accounts pending collection may result in liquidity problems if these cannot in the end be collected (according to 1H19 results, there could be problems collecting EUR 0.7Mn; 22% of accounts pending collection in 1H19).

7. **Capital increases:** Although FACE has already achieved break even both in EBITDA and NP (2018), accelerating the business' organic growth could raise capital requirements. In September 2019 it was announced that Nice&Green was to invest EUR 4.0M via: (i) a EUR 0.5Mn participatory loan (whose capitalisation, via the offsetting of credit balances, is pending execution) and (ii) the issuance of warrants convertible in shares in an amount of EUR 3.5Mn (which at current prices could imply a c. 11% dilution for current shareholders). Given FACE's size/sector/business situation, access to new capital to fund growth will very probably mean additional equity increases (and dilution).

8. **Regulations:** Biometric data are considered to be sensitive information so their regulation will play a key role in FACE's business development. At present, there are fewer regulatory requirements in emerging markets (such as Latam) where laxer regulations have enabled FACE to grow its business vs Europe and the US.

9. **Technological disruption:** FACE's business depends directly on essentially technological products and services, which means products have to be permanently updated so as not to become obsolete. Technological changes taken up by consumers and regulators can affect demand in the mid and long term. And the ability of FACE to respond to these is, in itself, a risk.

The Board is, essentially, the owners

Table 3. Board of Directors

Name	Category	Appointed date	% Capital
Salvador Martí	Ejecutive	2014	10.3%
Javier Mira	Ejecutivo	2014	9.7%
Juan Alfonso Ortiz	Propietary	2014	9.0%
Fernando Orteso	Propietary	2015	1.0%
David Devesa	Propietary	2019	0.0%
Total			**30.0%**

Source: MAB

Table 4. Controlling shareholders

Shareholders	2014	2019
Salvador Martí Varó	23.8%	10.1%
Javier Mira Miró	8.4%	0.0%
Juan Alfonso	10.1%	8.8%
José Cristóbal Callado	10.8%	0.0%
Fernando Orteso	0.0%	1.0%
Nice & Green	0.0%	2.2%
Controlling Shareholders	**53.1%**	**22.0%**

FACE was created in 2012 by Salvador Martí and Javier Mira, as a project in an emerging sector (biometrics for the financial sector) of which they had no direct prior experience. Both continue as core shareholders and head the management team, holding the positions of: (i) Executive Chair and Chairman of the Board and (ii) CEO, respectively. This means the governing bodies have high exposure to the share price. We would highlight the following points:

1. **The Board of Directors is "tied" to the share price,** controlling c. 30% of the company directly and indirectly. Currently, there are five board members; two Executive Directors (the Executive Chair and CEO; 20% of capital, jointly) and three Proprietary Directors. In June 2019 the board member José María Nogueira Badiola stepped down (he had a 3.4% stake at the time of leaving).

   According to the board's regulations, the position of Director is held for a maximum term of 6 years, renewable for periods of equal duration with no mention of a limit to the number of terms a Director can serve or the procedure for the renewal of this body (maximum percentage of members to be renewed simultaneously and/or time limits).

   There have been changes to the shareholder structure in the last 5 years, essentially due to disinvestment by controlling shareholders, who have reduced their joint shareholding by 31.1p.p. (see table 4).

2. **The compensation of the Board of Directors** is fixed at EUR 200k for per diems, and EUR 50k to remunerate members of the Audit and Remuneration Committees. The total amount of the compensation of Non-Executive Directors in 2018 was EUR 120k.

3. **Senior management** comprises the Chairman and CEO (both board members) with a fixed joint compensation of EUR 720k. Total remuneration of senior management in 2018 was EUR 800k (c. 46% of personnel costs): (i) EUR 720k for salaries and (ii) EUR 80k for board members' per diems. In addition, FACE has a system of variable remuneration for key personnel (aimed at increasing their focus on the company's results) equivalent to 10% of the surplus EBITDA over EUR 1.0Mn. In 2018 senior management declined to receive their variable remuneration.

4. **Capital increases and new shareholders:** In September 2019 an investment agreement was signed with Nice&Green in an amount of EUR 4.0Mn implemented via: (i) a EUR 0.5Mn participatory loan (already received and proposed to be capitalised for c. 2.2% of capital via a capital increase by the offsetting of credit balances) and (ii) the issuance of warrants in an amount of EUR 3.5Mn until September 2020. If all the warrants included in the agreement are issued and converted, Nice&Green will hold over 10% of the company's capital.

5. **We rule out a dividend payment in the mid term.** The company has made no commitment in respect of dividend payments. The main focus is on the consolidation of the business' organic growth, achieving sustained operating profitability. Accordingly, we estimate a pay-out of 0% for at least the next two years.

6. **Related party transactions:** In April 2019, the Chairman sold 1.2% of capital to the company (treasury stock) as compensation for the loan he had with FACE in an amount of c. EUR 0.3Mn.

Appendix 1. Financial Projections(1)

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Intangible assets	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.2
Fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.6
Other Non Current Assets	0.1	0.1	0.1	-	0.4	0.4	0.4	0.4
Financial Investments	0.0	0.1	0.6	0.3	0.5	0.5	0.5	0.5
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	0.2	0.3	0.8	2.8	3.8	7.3	8.4	9.4
Total assets	**1.1**	**1.3**	**2.5**	**4.2**	**6.0**	**9.5**	**10.8**	**12.1**
Equity	0.2	0.5	0.9	1.4	2.6	4.5	6.7	9.4
Minority Interests	-	-	-	-	-	-	-	-
Provisions & Other L/T Liabilities	-	-	-	0.1	0.1	0.1	0.1	0.1
Other Non Current Liabilities	-	-	-	-	-	-	-	-
Net financial debt	0.7	0.4	1.5	2.0	1.9	3.1	2.0	0.5
Current Liabilities	0.2	0.4	0.2	0.7	1.4	1.8	2.0	2.1
Equity & Total Liabilities	**1.1**	**1.3**	**2.5**	**4.2**	**6.0**	**9.5**	**10.8**	**12.1**

									CAGR	
P&L (EUR Mn)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**14-18**	**18-21e**
Total Revenues	**0.0**	**0.4**	**2.0**	**2.7**	**4.5**	**8.1**	**9.3**	**10.4**	***n.a.***	***32.5%***
Total Revenues growth	*274.8%*	*1161.8%*	*392.7%*	*34.8%*	*66.0%*	*79.5%*	*15.6%*	*12.2%*		
COGS	(0.1)	(0.1)	(0.5)	(0.7)	(1.2)	(3.0)	(3.5)	(4.0)		
Gross Margin	**(0.0)**	**0.3**	**1.5**	**2.0**	**3.3**	**5.1**	**5.8**	**6.5**	***n.a.***	***25.8%***
Gross Margin/Revenues	*n.a.*	*73.9%*	*74.8%*	*74.6%*	*72.4%*	*62.7%*	*62.2%*	*61.9%*		
Personnel Expenses	(0.7)	(0.8)	(1.1)	(1.2)	(1.7)	(1.9)	(2.1)	(2.2)		
Other Operating Expenses	(0.7)	(0.5)	(0.5)	(1.1)	(1.4)	(1.6)	(1.0)	(1.1)		
Recurrent EBITDA	**(1.4)**	**(0.9)**	**(0.1)**	**(0.3)**	**0.2**	**1.6**	**2.7**	**3.2**	***n.a.***	***n.a.***
Recurrent EBITDA growth	*-85.3%*	*31.6%*	*87.2%*	*-174.1%*	*150.8%*	*836.0%*	*71.9%*	*18.7%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*3.7%*	*19.5%*	*29.0%*	*30.7%*		
Restructuring Expenses	0.0	0.0	0.0	0.8	0.6	0.0	-	-		
EBITDA	**(1.4)**	**(0.9)**	**(0.1)**	**0.5**	**0.7**	**1.6**	**2.7**	**3.2**	***n.a.***	***63.6%***
Depreciation & Provisions	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.5)	(0.5)	(0.6)		
Capitalized Expense	0.4	0.3	0.3	0.4	0.5	0.5	0.5	0.5		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	**(1.0)**	**(0.8)**	**(0.0)**	**0.6**	**0.9**	**1.7**	**2.7**	**3.2**	***n.a.***	***51.6%***
EBIT growth	*-193.7%*	*25.2%*	*97.2%*	*n.a.*	*59.8%*	*84.1%*	*60.2%*	*18.2%*		
EBIT/Revenues	*n.a.*	*n.a.*	*n.a.*	*20.9%*	*20.2%*	*20.7%*	*28.7%*	*30.2%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	**(1.0)**	**(0.8)**	**(0.1)**	**0.5**	**0.8**	**1.6**	**2.6**	**3.1**	***n.a.***	***54.5%***
Ordinary Profit Growth	*-196.8%*	*24.1%*	*93.3%*	*993.7%*	*78.3%*	*88.9%*	*62.9%*	*19.9%*		
Extraordinary Results	0.0	-	-	(0.0)	0.0	-	-	-		
Profit Before Tax	**(1.0)**	**(0.8)**	**(0.1)**	**0.5**	**0.9**	**1.6**	**2.6**	**3.1**	***n.a.***	***54.0%***
Tax Expense	(0.0)	-	-	(0.1)	0.3	(0.2)	(0.4)	(0.5)		
Effective Tax Rate	*n.a.*	*n.a.*	*n.a.*	*22.9%*	*n.a.*	*10.0%*	*15.0%*	*15.0%*		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**(1.1)**	**(0.8)**	**(0.1)**	**0.4**	**1.2**	**1.4**	**2.2**	**2.6**	***n.a.***	***31.3%***
Net Profit growth	*-254.6%*	*25.7%*	*93.3%*	*789.1%*	*219.9%*	*22.9%*	*53.8%*	*19.9%*		
Ordinary Net Profit	**(1.0)**	**(0.8)**	**(0.1)**	**(0.4)**	**0.3**	**1.4**	**2.2**	**2.6**	***n.a.***	***n.a.***
Ordinary Net Profit growth	*-199.5%*	*21.0%*	*91.3%*	*-389.2%*	*179.5%*	*403.2%*	*57.1%*	*19.9%*		

									CAGR	
Cash Flow (EUR Mn)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**14-18**	**18-21e**
Recurrent EBITDA						**1.6**	**2.7**	**3.2**	***n.a.***	***n.a.***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(3.1)	(0.9)	(0.9)		
Recurrent Operating Cash Flow						**-1.5**	**1.8**	**2.4**	***-42.4%***	***n.a.***
CAPEX						-	(0.2)	(0.4)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.1)	(0.0)		
Tax Expense						(0.2)	(0.4)	(0.5)		
Recurrent Free Cash Flow						**(1.7)**	**1.1**	**1.5**	***n.a.***	***n.a.***
Restructuring Expense & Others						0.0	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(1.7)**	**1.1**	**1.5**	***n.a.***	***29.2%***
Capital Increase						0.5	-	-		
Dividends						-	-	-		
Net Debt Variation						**1.2**	**(1.1)**	**(1.5)**		

Note1: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

Appendix 2. Free Cash Flow[1]

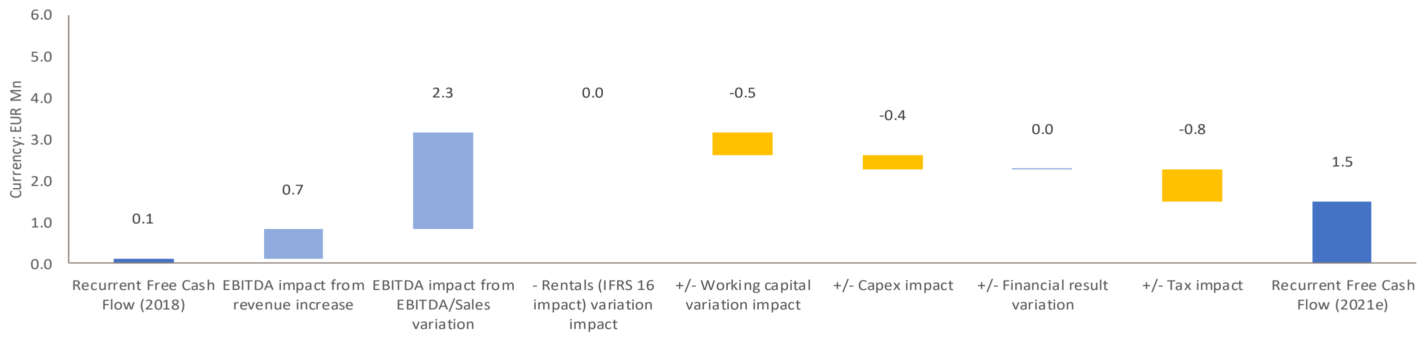
A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR 15-18	CAGR 18-21e
Recurrent EBITDA	**(0.9)**	**(0.1)**	**(0.3)**	**0.2**	**1.6**	**2.7**	**3.2**	***n.a.***	***n.a.***
Recurrent EBITDA growth	*31.6%*	*87.2%*	*-174.1%*	*150.8%*	*836.0%*	*71.9%*	*18.7%*		
Rec. EBITDA/Revenues	*n.a.*	*n.a.*	*n.a.*	*3.7%*	*19.5%*	*29.0%*	*30.7%*		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	0.1	(0.7)	(1.5)	(0.3)	(3.1)	(0.9)	(0.9)		
= Recurrent Operating Cash Flow	**(0.8)**	**(0.8)**	**(1.8)**	**(0.1)**	**(1.5)**	**1.8**	**2.4**	***-44.1%***	***n.a.***
Rec. Operating Cash Flow growth	*-36.9%*	*-1.0%*	*126.3%*	*-92.2%*	*941.1%*	*n.a.*	*34.1%*		
Rec. Operating Cash Flow / Sales	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*18.8%*	*22.5%*		
- CAPEX	-	-	-	-	-	(0.2)	(0.4)		
- Net Financial Result affecting Cash Flow	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.0)		
- Taxes	-	-	(0.1)	0.3	(0.2)	(0.4)	(0.5)		
= Recurrent Free Cash Flow	**(0.9)**	**(0.8)**	**(2.0)**	**0.1**	**(1.7)**	**1.1**	**1.5**	***n.a.***	***n.a.***
Rec. Free Cash Flow growth	*-37.0%*	*-2.6%*	*137.7%*	*n.a.*	*n.a.*	*n.a.*	*32.9%*		
Rec. Free Cash Flow / Revenues	*n.a.*	*n.a.*	*n.a.*	*2.6%*	*n.a.*	*12.0%*	*14.2%*		
- Restructuring expenses & others	0.0	0.0	0.8	0.6	0.0	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.0)	0.0	-	-	-		
= Free Cash Flow	**(0.8)**	**(0.8)**	**(1.2)**	**0.7**	**(1.7)**	**1.1**	**1.5**	***n.a.***	***29.2%***
Free Cash Flow growth	*-39.5%*	*-0.1%*	*42.3%*	*n.a.*	*n.a.*	*n.a.*	*32.9%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*0.4%*	*n.a.*	*3.8%*	*5.0%*		
Free Cash Flow Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*2.3%*	*n.a.*	*3.8%*	*5.0%*		

B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2015	2016	2017	2018	2019e	2020e	2021e
Recurrent FCF(FY - 1)	**(1.4)**	**(0.9)**	**(0.8)**	**(2.0)**	**0.1**	**(1.7)**	**1.1**
EBITDA impact from revenue increase	(16.0)	(3.7)	(0.0)	(0.2)	0.1	0.2	0.3
EBITDA impact from EBITDA/Sales variation	16.4	4.5	(0.2)	0.7	1.3	0.9	0.2
= Recurrent EBITDA variation	**0.4**	**0.8**	**(0.2)**	**0.5**	**1.4**	**1.1**	**0.5**
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-
+/- Working capital variation impact	0.0	(0.8)	(0.8)	1.2	(2.8)	2.1	0.1
= Recurrent Operating Cash Flow variation	**0.5**	**0.0**	**(1.0)**	**1.7**	**(1.4)**	**3.2**	**0.6**
+/- CAPEX impact	-	-	-	-	-	(0.2)	(0.2)
+/- Financial result variation	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0
+/- Tax impact	0.0	-	(0.1)	0.4	(0.5)	(0.2)	(0.1)
= Recurrent Free Cash Flow variation	**0.5**	**0.0**	**(1.2)**	**2.1**	**(1.8)**	**2.8**	**0.4**
Recurrent Free Cash Flow	**(0.9)**	**(0.8)**	**(2.0)**	**0.1**	**(1.7)**	**1.1**	**1.5**

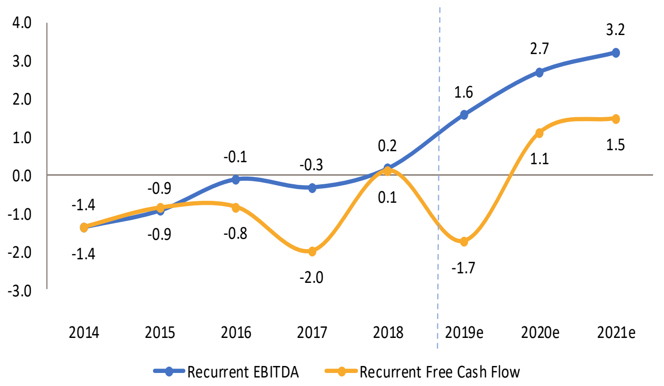
C) "FCF to the Firm" (pre debt service) (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR 15-18	CAGR 18-21e
EBIT	**(0.8)**	**(0.0)**	**0.6**	**0.9**	**1.7**	**2.7**	**3.2**	***n.a.***	***51.6%***
** Theoretical Tax rate*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*10.0%*	*15.0%*	*15.0%*		
= Taxes (pre- Net Financial Result)	-	-	-	-	(0.2)	(0.4)	(0.5)		
Recurrent EBITDA	**(0.9)**	**(0.1)**	**(0.3)**	**0.2**	**1.6**	**2.7**	**3.2**	***n.a.***	***n.a.***
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	0.1	(0.7)	(1.5)	(0.3)	(3.1)	(0.9)	(0.9)		
= Recurrent Operating Cash Flow	**(0.8)**	**(0.8)**	**(1.8)**	**(0.1)**	**(1.5)**	**1.8**	**2.4**	***-44.1%***	***n.a.***
- CAPEX	-	-	-	-	-	(0.2)	(0.4)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.2)	(0.4)	(0.5)		
= Recurrent Free Cash Flow (To the Firm)	**(0.8)**	**(0.8)**	**(1.8)**	**(0.1)**	**(1.7)**	**1.2**	**1.5**	***-44.1%***	***n.a.***
Rec. Free Cash Flow (To the Firm) growth	*-36.9%*	*-1.0%*	*126.3%*	*-92.2%*	*n.a.*	*n.a.*	*28.9%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	12.7%	14.6%		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.0)	0.0	-	-	-		
= Free Cash Flow "To the Firm"	**(0.8)**	**(0.8)**	**(1.8)**	**(0.1)**	**(1.7)**	**1.2**	**1.5**	***-45.3%***	***n.a.***
Free Cash Flow (To the Firm) growth	*-36.8%*	*-1.0%*	*126.4%*	*-92.7%*	*n.a.*	*n.a.*	*28.9%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*3.7%*	*4.8%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*3.7%*	*4.8%*		

Note 1: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16

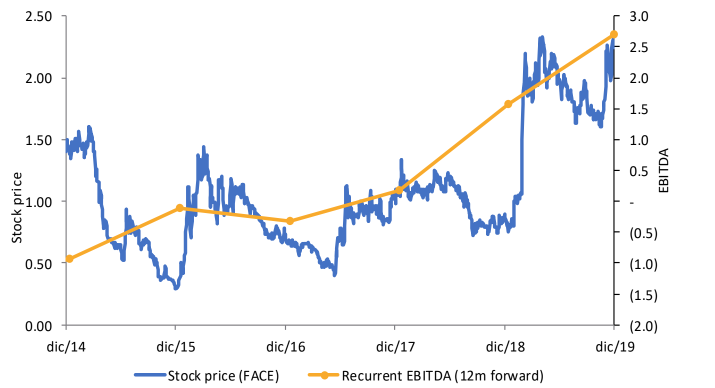
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	29.7	
+ Minority Interests	-	6m Results 2019
+ Provisions & Other L/T Liabilities	0.1	6m Results 2019
+ Net financial debt	2.4	6m Results 2019
- Financial Investments	0.5	6m Results 2019
+/- Others	-	
Enterprise Value (EV)	**31.7**	

Appendix 4. Historical performance(1)(2)

Historical performance (EUR Mn)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR 08-18	CAGR 18-21e
Total Revenues							0.0	0.4	2.0	2.7	4.5	8.1	9.3	10.4	n.a.	32.5%
Total Revenues growth							n.a.	1161.8%	392.7%	34.8%	66.0%	79.5%	15.6%	12.2%		
EBITDA							(1.4)	(0.9)	(0.1)	0.5	0.7	1.6	2.7	3.2	n.a.	63.6%
EBITDA growth							n.a.	34.0%	88.7%	584.2%	48.5%	119.1%	68.3%	18.7%		
EBITDA/Sales							n.a.	n.a.	n.a.	18.2%	16.3%	19.9%	29.0%	30.7%		
Net Profit							(1.1)	(0.8)	(0.1)	0.4	1.2	1.4	2.2	2.6	n.a.	31.3%
Net Profit growth							n.a.	25.7%	93.3%	789.1%	219.9%	22.9%	53.8%	19.9%		
Adjusted number shares (Mn)							9.6	11.9	13.1	13.1	13.2	13.6	13.6	13.6		
EPS (EUR)							n.a.	n.a.	n.a.	0.03	0.09	0.11	0.16	0.19		
EPS growth							n.a.	n.a.	n.a.	n.a.	n.a.	19.1%	53.8%	19.9%		
Ord. EPS (EUR)							n.a.	n.a.	n.a.	n.a.	0.02	0.10	0.16	0.19		
Ord. EPS growth							n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	57.1%	19.9%		
CAPEX							-	-	-	-	-	-	(0.2)	(0.4)		
CAPEX/Sales %							0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	3.4%		
Free Cash Flow							(1.4)	(0.8)	(0.8)	(1.2)	0.7	(1.7)	1.1	1.5	n.a.	29.2%
ND/EBITDA (x)(3)							n.a.	n.a.	n.a.	4.2x	2.6x	1.9x	0.7x	0.2x		
P/E (x)							n.a.	n.a.	n.a.	39.2x	8.4x	21.2x	13.8x	11.5x		
EV/Sales (x)							0.0x	0.0x	0.0x	0.0x	0.0x	3.9x	3.4x	3.0x		
EV/EBITDA (x)(3)							0.0x	0.0x	0.0x	0.0x	0.0x	19.8x	11.7x	9.9x		
Absolute performance							n.a.	-72.5%	78.9%	60.3%	-31.2%	198.7%				
Relative performance vs Ibex 35							n.a.	-70.3%	82.6%	49.3%	-19.1%	165.2%				

Note 1: Financial data provided since the listing of the company (2014). The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.
Note 2: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.
Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2019e

		Biometrics (Niche Players)								Technological cias with exposure to biometrics					
	EUR Mn	CyberLink	Egis Technology	Elan Microelectronics Corp.	Mitek Systems, Inc.	OneSpan	Secunet	Suprema ID Inc.	Average	Diebold Nixdorf Technology	NEC	NICE	Synaptics	Average	FACE
Market data	Ticker (Reuters)	5203.TW	6462.TWO	2458.TW	MITK.O	OSPN.O	YSNG.DE	317770.KQ		DBD	6701.T	NICE.O	SYNA.O		FACE.MC
	Country	Taiwan	Taiwan	Taiwan	USA	USA	Germany	S. Korea		USA	Japan	Israel	USA		Spain
	Market cap	280.5	521.1	813.8	266.7	663.0	938.5	45.1		755.5	9,627.0	8,679.8	2,065.9		29.7
	Enterprise value (EV)	201.8	472.2	705.9	236.8	589.9	937.8	21.3		2,502.5	14,627.6	8,693.9	2,175.6		31.7
Basic financial information	Total Revenues	43.5	225.7	278.1	77.6	224.8	230.0	18.7		3,957.7	24,834.0	1,425.9	1,295.0		8.1
	Total Revenues growth	-3.2%	33.9%	12.7%	41.8%	21.5%	40.9%	32.3%	25.7%	-0.9%	6.0%	13.2%	-7.2%	2.8%	79.5%
	2y CAGR (2019e - 2021e)	10.4%	22.6%	7.8%	17.1%	8.1%	3.9%	23.8%	13.4%	-1.0%	1.9%	8.2%	-5.4%	0.9%	13.9%
	EBITDA	1.0	34.7	69.9	7.6	24.8	41.9	4.9		362.9	1,972.0	457.2	109.0		1.6
	EBITDA growth	-92.1%	58.5%	34.1%	721.9%	133.6%	43.7%	7.0%	129.5%	73.9%	20.1%	47.3%	74.7%	54.0%	119.1%
	2y CAGR (2019e - 2021e)	5.6%	45.6%	8.3%	79.2%	23.9%	9.7%	27.7%	28.6%	9.4%	5.3%	9.7%	31.6%	14.0%	41.4%
	EBITDA/Revenues	2.3%	15.4%	25.1%	9.8%	11.0%	18.2%	26.4%	15.4%	9.2%	7.9%	32.1%	8.4%	14.4%	19.9%
	EBIT	8.5	34.4	61.1	(0.1)	26.9	35.4	5.0		239.9	n.a.	389.1	12.2		1.7
	EBIT growth	-29.9%	66.3%	23.8%	95.2%	n.a.	31.4%	23.5%	35.0%	n.a.	n.a.	124.4%	128.6%	126.5%	84.1%
	2y CAGR (2019e - 2021e)	25.8%	44.5%	10.7%	n.a.	11.6%	10.7%	25.5%	21.5%	20.0%	n.a.	11.9%	243.9%	91.9%	37.6%
	EBIT/Revenues	19.5%	15.3%	22.0%	n.a.	12.0%	15.4%	26.8%	18.5%	6.1%	n.a.	27.3%	0.9%	11.4%	20.7%
	Net Profit	11.2	29.4	63.9	(0.7)	16.9	24.1	4.2		(6.7)	632.8	308.2	(18.6)		1.4
	Net Profit growth	19.2%	53.9%	46.1%	-88.8%	n.a.	35.2%	50.9%	19.4%	-98.5%	50.0%	126.0%	-73.2%	1.1%	22.9%
	2y CAGR (2019e - 2021e)	18.4%	40.6%	3.8%	n.a.	34.6%	10.8%	23.8%	22.0%	n.a.	14.9%	10.9%	n.a.	12.9%	35.8%
	CAPEX/Sales %	-0.5%	-0.3%	-1.7%	-1.3%	n.a.	-1.7%	0.0%	-0.9%	-1.1%	-2.2%	-1.9%	-1.6%	-1.7%	0.0%
	Free Cash Flow	12.1	36.2	62.5	6.1	(7.9)	13.0	n.a.		75.6	703.2	332.8	57.4		(1.7)
	Net financial debt	n.a.	(48.5)	(89.8)	(30.5)	(81.8)	(55.9)	(11.0)		1,602.2	1,910.4	(279.9)	123.6		3.1
	ND/EBITDA (x)	n.a.	(1.4)	(1.3)	(4.0)	(3.3)	(1.3)	(2.2)	(2.3)	4.4	1.0	(0.6)	1.1	1.5	2.0
	Pay-out	n.a.	61.8%	75.8%	n.a.	n.a.	49.1%	0.0%	46.7%	0.0%	21.0%	0.0%	n.a.	7.0%	0.0%
Multiples and Ratios	P/E (x)	26.5	17.5	12.6	n.a.	39.7	38.7	9.9	24.2	n.a.	15.6	29.6	n.a.	22.6	21.2
	P/BV (x)	n.a.	6.5	3.8	2.7	n.a.	11.6	2.3	5.4	n.a.	1.3	4.2	3.5	3.0	6.6
	EV/Revenues (x)	4.6	2.1	2.5	3.1	2.6	4.1	1.1	2.9	0.6	0.6	6.1	1.7	2.2	3.9
	EV/EBITDA (x)	n.a.	13.6	10.1	31.2	23.8	22.4	4.3	17.6	6.9	7.4	19.0	20.0	13.3	20.2
	EV/EBIT (x)	23.8	13.7	11.5	n.a.	21.9	26.5	4.2	17.0	10.4	n.a.	22.3	n.a.	16.4	19.0
	ROE	9.8	36.8	29.6	n.a.	5.1	32.1	23.2	22.8	1.7	8.7	15.6	n.a.	8.7	40.4
	FCF Yield (%)	4.3	7.0	7.8	4.4	n.a.	1.4	n.a.	5.0	10.0	7.2	3.8	5.7	6.7	n.a.
	DPS	n.a.	0.26	0.18	n.a.	n.a.	1.83	0.00	0.57	0.00	0.51	0.00	n.a.	0.17	0.00
	Dvd Yield	n.a.	3.5%	6.8%	n.a.	n.a.	1.3%	0.0%	2.9%	0.0%	1.4%	0.0%	n.a.	0.5%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initial Coverage	David López Sánchez