

### 12m19 Preliminary Results

Opinion <sup>(1)</sup>: In line.

Impact <sup>(1)</sup>: We will maintain our estimates.

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**FacePhi (FACE)** is a small Spanish tech company (Market Cap: EUR 60Mn), 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.

## 2019: Step-up in scale confirmed

FACE has released a breakdown of its main (unaudited) P&L items for 2019 (without including balance sheet information). Results in line. Audited 2019 results will be released at the end of April 2020 (when we will update our 2019e figures). We highlight:

**A SHARP INCREASE IN REVENUES...** (EUR 8.2Mn; in line with our estimates), showing growth of c. 83% (vs 2018) underpinned mainly by the capture of new clients, with annual licences maintaining a weighting in the revenue mix of c. 58% (we think their renewal will be one of the main revenue growth drivers in 2020e).

**...FEEDING THROUGH TO EBITDA (EUR 1.8MN VS EUR 0.2MN 2018).** After eight years of operations, FACE seems to have reached a theoretically optimal point which has enabled the company to grow its recurrent EBITDA margin (which includes a c. EUR 0.7Mn client impairment and excludes c. EUR 0.5Mn in capitalised expenses) to c. 22% (vs c. 4% in 2018; thanks to the exploitation of its high operating leverage), in line with estimates (c.20%)

**OUR ESTIMATES ARE UNCHANGED AS IS OUR CENTRAL SCENARIO,** which is the consolidation of Recurrent EBITDA of EUR 3.0Mn in 2020-2021, with turnover of c. EUR 10Mn and debt below 1x ND/EBITDA. All this is based on an annual licence renewal rate of c.80% and on the ability to maintain a level of capture of new clients similar to that seen in 2019. An undemanding cost structure enables the company to aspire ("mathematically"), with double-digit revenue growth, to a strong increase in margins in 2020e.

**STEP-UP IN SCALE (ALREADY PRICED IN?).** The snapshot is of a company that has confirmed its progress to positive EBITDA in 2019 (break-even in 2018) and with an acceptable level of debt (c. 2x ND/Rec. EBITDA 2019e). FACE's share price has risen dramatically (+316% 2019; +55.5% YTD) taking EV/sales 2020e to c. 6.6x. Using the EV/sales ratio of a sample of biometrics companies as a reference (3.1x), the market is discounting that FACE will be able to achieve turnover of c. EUR 19Mn (vs EUR 10.4Mn estimated for 2021e). FCF yield 2020e of c. 2%.

### Market Data

Market Cap (Mn EUR and USD)	59.9	66.4
EV (Mn EUR and USD) <sup>(2)</sup>	61.9	68.6
Shares Outstanding (Mn)	13.3	
-12m (Max/Med/Mín EUR)	5.14 / 1.99 / 0.98	
Daily Avg volume (-12m Mn EUR)	0.19	
Rotation <sup>(3)</sup>	80.0	
Thomson Reuters / Bloomberg	FACE.MC / FACE SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%)

Salvador Martí Varó	10.1
Juan Alfonso	9.9
Javier Mira Miró	8.4
Nice & Green	2.2
Free Float	68.4

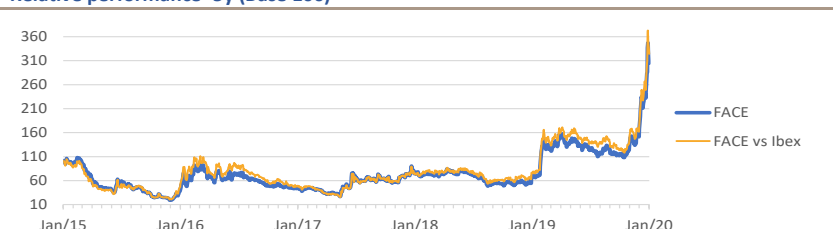
### Financials (Mn EUR)

	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 <sup>(4)</sup>	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 <sup>(5)</sup>	15.3	17.6	18.9	17.1
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 <sup>(6)</sup>	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 (%) <sup>(6)</sup>	24.7	26.5	29.2	30.1

### Ratios & Multiples (x) <sup>(7)</sup>

	2018	2019e	2020e	2021e
P/E	50.8	42.6	27.7	23.1
Ord. P/E	n.a.	43.6	27.7	23.1
P/BV	n.a.	13.2	8.9	6.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	13.78	7.67	6.64	5.92
EV/Rec. EBITDA	n.a.	39.4	22.9	19.3
EV/EBIT	n.a.	37.1	23.2	19.6
FCF Yield (%) <sup>(6)</sup>	0.2	n.a.	1.9	2.5

### Relative performance -5y (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	81.9	171.7	351.0	44.6	573.1	204.7
vs Ibex 35	82.2	162.4	323.5	42.9	553.7	224.5
vs Ibex Small Cap Index	68.9	148.3	312.8	38.1	386.6	89.3
vs Eurostoxx 50	80.8	156.0	272.2	42.5	484.6	160.3
vs Sector benchmark <sup>(5)</sup>	74.5	138.9	231.1	38.7	331.7	64.0

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation represents the % of the capitalisation traded - 12m.

(4) FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

(5) Sector: TRBC Europe Technology Index.

(6) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

(7) Multiples and ratios calculated over prices at the date of this report.

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

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

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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.

## 12m19 Preliminary Results

**Table 1. 12m19 Preliminary Results**

EUR Mn	12m19 Preliminary	12m18	Preliminary vs 12m18	Preliminary 2019e	Preliminary vs 2019e
<b>Total Revenues</b>	<b>8.2</b>	<b>4.5</b>	<b>82.6%</b>	<b>8.1</b>	<b>1.7%</b>
<b>Recurrent EBITDA*</b>	<b>1.8</b>	<b>0.2</b>	<b>n.a.</b>	<b>1.6</b>	<b>12.4%</b>
<i>Rec. EBITDA/Revenues</i>	<i>21.5%</i>	<i>3.7%</i>	<i>17.8 p.p.</i>	<i>19.5%</i>	<i>2.1 p.p.</i>
<b>EBITDA*</b>	<b>1.8</b>	<b>0.2</b>	<b>n.a.</b>	<b>1.6</b>	<b>10.1%</b>
<i>EBITDA/Revenues</i>	<i>21.5%</i>	<i>3.7%</i>	<i>17.8 p.p.</i>	<i>19.9%</i>	<i>1.6 p.p.</i>
<b>EBIT</b>	<b>2.0</b>	<b>0.9</b>	<b>124.7%</b>	<b>1.7</b>	<b>22.0%</b>

(\*) Recurrent EBITDA includes c. EUR 0.7Mn client impairment and and excludes c. EUR 0.5Mn in capitalised expenses (estimated by LH). Total impact of c. EUR 1.3Mn over FACE reported EBITDA (EUR 3.1Mn).

### Impact of the conversion N&G's warrants in the shareholding 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. 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 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 4.15 (an 8% discount on the share price at the date of this report), Nice&Green would own c. 7.9% of capital (Table 2 ; central scenario). Current shareholders seeing a dilution of c. 5.9%.

However, the rate and volume of the warrants issue is decided by the Board of Directors (depending on the share price and working capital requirements), 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.5.9% in the central scenario (conversion at a price of 4.15 EUR/share; 8% discount on the current price).
- With a 20% premium on the current price, we estimate dilution of c. 4.9%.
- With a 20% discount on the current price, we estimate dilution of c. 7.2%.

**Table 2. Impact of the conversión N&G's warrants in the shareholding structure**

Shareholders	% Capital	Conversion price (€)				
		3.32	3.73	4.15	4.56	4.98
Salvador Martí	10.1%	9.4%	9.4%	9.5%	9.5%	9.6%
Javier Mira	8.4%	7.8%	7.9%	7.9%	8.0%	8.0%
Juan Alfonso Ortiz	9.9%	9.2%	9.3%	9.3%	9.4%	9.4%
Fernando Orteso	1.0%	0.9%	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%	9.2%	8.5%	7.9%	7.4%	7.0%
<b>Free Float</b>	<b>68.4%</b>	<b>63.5%</b>	<b>64.0%</b>	<b>64.4%</b>	<b>64.8%</b>	<b>65.1%</b>

Nota: 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 5.1% (Free Float of 66.4%; dilution of c.3%). The conversion prices used in this sensitivity analysis already include the 8% discount on the share price (as of the date of this report).

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	(1.7)	1.2	1.5	20.7		
Market Cap	59.9	At the date of this report				
Net financial debt	2.4	Debt net of Cash (6m Results 2019)				
					Best Case	Worst Case
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%	10.3%
Equity / (Equity + Net Debt)	96.1%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	3.9%	D			=	=
WACC	8.7%	WACC = Kd * D + Ke * E			8.1%	10.0%
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	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	284.4	26.3	21.3%	n.a.	5.6%	4.7	10.1%	2.3%	4.3%	17.0%
Egis Technology	6462.TWO	503.3	17.4	43.3%	13.1	45.6%	2.0	23.2%	15.5%	7.3%	61.8%
Elan Microelectronics Corp.	2458.TW	881.7	13.5	3.7%	10.9	7.7%	2.7	7.1%	25.1%	7.2%	6.8%
Mitek Systems, Inc.	MITK.O	347.1	n.a.	n.a.	41.8	81.7%	4.1	16.8%	9.8%	3.4%	42.3%
OneSpan	OSPN.O	726.8	43.4	35.6%	26.5	30.2%	2.9	7.9%	11.0%	n.a.	n.a.
Secunet	YSNG.DE	890.0	36.7	10.7%	21.2	9.7%	3.9	3.9%	18.2%	1.5%	47.8%
Suprema ID Inc.	317770.KQ	47.6	10.3	20.0%	4.8	27.7%	1.3	23.8%	26.4%	n.a.	n.a.
<b>Biometrics (Niche Players)</b>			<b>24.6</b>	<b>22.4%</b>	<b>19.7</b>	<b>29.7%</b>	<b>3.1</b>	<b>13.3%</b>	<b>15.5%</b>	<b>4.7%</b>	<b>35.1%</b>
Diebold Nixdorf Technology	DBD	769.5	n.a.	n.a.	6.9	9.2%	0.6	-1.3%	9.2%	9.8%	26.7%
NEC	6701.T	10,601.5	17.1	14.2%	7.9	5.8%	0.6	1.9%	7.9%	6.9%	23.5%
NICE	NICE.O	9,736.1	33.4	9.9%	20.3	9.3%	6.5	7.8%	32.1%	3.4%	15.4%
Synaptics	SYNA.O	2,187.0	n.a.	n.a.	21.1	34.3%	1.8	-4.6%	8.4%	5.4%	35.4%
<b>Technological cias with exposure to biometrics</b>			<b>25.2</b>	<b>12.1%</b>	<b>14.0</b>	<b>14.6%</b>	<b>2.4</b>	<b>0.9%</b>	<b>14.4%</b>	<b>6.4%</b>	<b>25.2%</b>
FACE	FACE.MC	59.9	42.6	35.8%	39.4	41.4%	7.7	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	30.0%	2.8	22.1x
Central	29.0%	2.7	22.9x
Min	28.0%	2.6	23.7x

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

Rec. FCF EUR Mn	CAPEX/Sales 20e				Rec. FCF/Yield 20e			
EBITDA 20e	0.8%	1.8%	2.8%		Scenario			
2.8	1.3	1.2	1.1	➔	Max	2.2%	2.0%	1.9%
2.7	1.2	1.1	1.0		Central	2.0%	1.9%	1.7%
2.6	1.1	1.0	0.9		Min	1.9%	1.7%	1.6%

## Appendix 1. Financial Projections<sup>(1)</sup>

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
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 Intangibles	-	-	-	-	-	-	-	-		
Current assets	0.2	0.3	0.8	2.8	3.8	7.3	8.4	9.4		
<b>Total assets</b>	<b>1.1</b>	<b>1.3</b>	<b>2.5</b>	<b>4.2</b>	<b>6.0</b>	<b>9.5</b>	<b>10.8</b>	<b>12.1</b>		
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		
<b>Equity &amp; Total Liabilities</b>	<b>1.1</b>	<b>1.3</b>	<b>2.5</b>	<b>4.2</b>	<b>6.0</b>	<b>9.5</b>	<b>10.8</b>	<b>12.1</b>		
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
<b>Total Revenues</b>	<b>0.0</b>	<b>0.4</b>	<b>2.0</b>	<b>2.7</b>	<b>4.5</b>	<b>8.1</b>	<b>9.3</b>	<b>10.4</b>	<i>n.a.</i>	<b>32.5%</b>
<i>Total Revenues growth</i>	<i>274.8%</i>	<i>1161.8%</i>	<i>392.7%</i>	<i>34.8%</i>	<i>66.0%</i>	<i>79.5%</i>	<i>15.6%</i>	<i>12.2%</i>		
COGS	(0.1)	(0.1)	(0.5)	(0.7)	(1.2)	(3.0)	(3.5)	(4.0)		
<b>Gross Margin</b>	<b>(0.0)</b>	<b>0.3</b>	<b>1.5</b>	<b>2.0</b>	<b>3.3</b>	<b>5.1</b>	<b>5.8</b>	<b>6.5</b>	<i>n.a.</i>	<b>25.8%</b>
<i>Gross Margin/Revenues</i>	<i>n.a.</i>	<i>73.9%</i>	<i>74.8%</i>	<i>74.6%</i>	<i>72.4%</i>	<i>62.7%</i>	<i>62.2%</i>	<i>61.9%</i>		
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)		
<b>Recurrent EBITDA</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>1.6</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<i>n.a.</i>
<i>Recurrent EBITDA growth</i>	<i>-85.3%</i>	<i>31.6%</i>	<i>87.2%</i>	<i>-174.1%</i>	<i>150.8%</i>	<i>836.0%</i>	<i>71.9%</i>	<i>18.7%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.7%</i>	<i>19.5%</i>	<i>29.0%</i>	<i>30.7%</i>		
Restructuring Expenses	0.0	0.0	0.0	0.8	0.6	0.0	-	-		
<b>EBITDA</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>0.7</b>	<b>1.6</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<b>63.6%</b>
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)	-	-	-	-	-	-	-	-		
<b>EBIT</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.0)</b>	<b>0.6</b>	<b>0.9</b>	<b>1.7</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<b>51.6%</b>
<i>EBIT growth</i>	<i>-193.7%</i>	<i>25.2%</i>	<i>97.2%</i>	<i>n.a.</i>	<i>59.8%</i>	<i>84.1%</i>	<i>60.2%</i>	<i>18.2%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>20.9%</i>	<i>20.2%</i>	<i>20.7%</i>	<i>28.7%</i>	<i>30.2%</i>		
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	-	-	-	-	-	-	-	-		
<b>Ordinary Profit</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>0.8</b>	<b>1.6</b>	<b>2.6</b>	<b>3.1</b>	<i>n.a.</i>	<b>54.5%</b>
<i>Ordinary Profit Growth</i>	<i>-196.8%</i>	<i>24.1%</i>	<i>93.3%</i>	<i>993.7%</i>	<i>78.3%</i>	<i>88.9%</i>	<i>62.9%</i>	<i>19.9%</i>		
Extraordinary Results	0.0	-	-	(0.0)	0.0	-	-	-		
<b>Profit Before Tax</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>0.5</b>	<b>0.9</b>	<b>1.6</b>	<b>2.6</b>	<b>3.1</b>	<i>n.a.</i>	<b>54.0%</b>
Tax Expense	(0.0)	-	-	(0.1)	0.3	(0.2)	(0.4)	(0.5)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>22.9%</i>	<i>n.a.</i>	<i>10.0%</i>	<i>15.0%</i>	<i>15.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>0.4</b>	<b>1.2</b>	<b>1.4</b>	<b>2.2</b>	<b>2.6</b>	<i>n.a.</i>	<b>31.3%</b>
<i>Net Profit growth</i>	<i>-254.6%</i>	<i>25.7%</i>	<i>93.3%</i>	<i>789.1%</i>	<i>219.9%</i>	<i>22.9%</i>	<i>53.8%</i>	<i>19.9%</i>		
<b>Ordinary Net Profit</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>0.3</b>	<b>1.4</b>	<b>2.2</b>	<b>2.6</b>	<i>n.a.</i>	<i>n.a.</i>
<i>Ordinary Net Profit growth</i>	<i>-199.5%</i>	<i>21.0%</i>	<i>91.3%</i>	<i>-389.2%</i>	<i>179.5%</i>	<i>403.2%</i>	<i>57.1%</i>	<i>19.9%</i>		
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
<b>Recurrent EBITDA</b>						<b>1.6</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<i>n.a.</i>
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(3.1)	(0.9)	(0.9)		
<b>Recurrent Operating Cash Flow</b>						<b>-1.5</b>	<b>1.8</b>	<b>2.4</b>	<b>-42.4%</b>	<i>n.a.</i>
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)		
<b>Recurrent Free Cash Flow</b>						<b>(1.7)</b>	<b>1.1</b>	<b>1.5</b>	<i>n.a.</i>	<i>n.a.</i>
Restructuring Expense & Others						0.0	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>(1.7)</b>	<b>1.1</b>	<b>1.5</b>	<i>n.a.</i>	<b>29.2%</b>
Capital Increase						0.5	-	-		
Dividends						-	-	-		
<b>Net Debt Variation</b>						<b>1.2</b>	<b>(1.1)</b>	<b>(1.5)</b>		

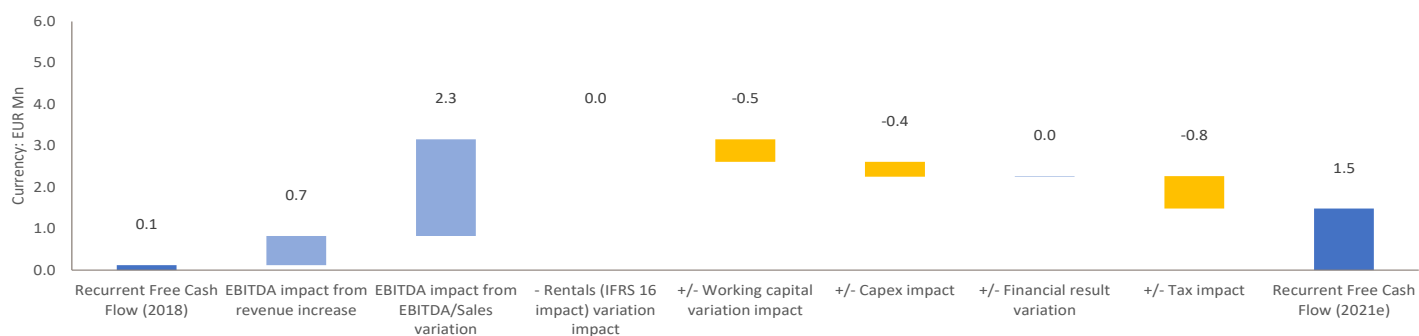
Note 1: FACE presents its financial statements under the Spanish GAAP and is not affected by the application of IFRS 16.

## Appendix 2. Free Cash Flow<sup>(1)</sup>

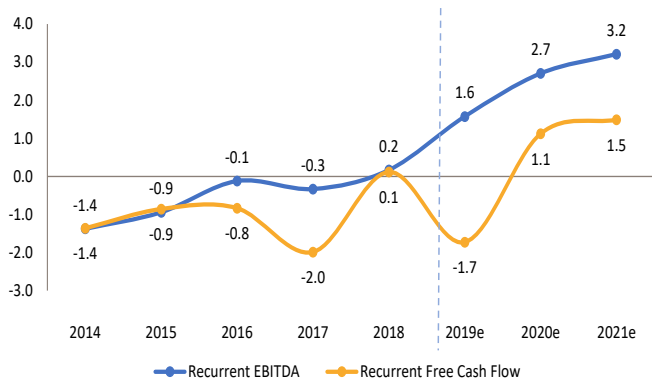
A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
<b>Recurrent EBITDA</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>1.6</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<i>n.a.</i>
<i>Recurrent EBITDA growth</i>	31.6%	87.2%	-174.1%	150.8%	836.0%	71.9%	18.7%		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	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)		
<b>= Recurrent Operating Cash Flow</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>1.8</b>	<b>2.4</b>	<b>-44.1%</b>	<i>n.a.</i>
<i>Rec. Operating Cash Flow growth</i>	-36.9%	-1.0%	126.3%	-92.2%	941.1%	<i>n.a.</i>	34.1%		
<i>Rec. Operating Cash Flow / Sales</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	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)		
<b>= Recurrent Free Cash Flow</b>	<b>(0.9)</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>0.1</b>	<b>(1.7)</b>	<b>1.1</b>	<b>1.5</b>	<i>n.a.</i>	<i>n.a.</i>
<i>Rec. Free Cash Flow growth</i>	-37.0%	-2.6%	137.7%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	32.9%		
<i>Rec. Free Cash Flow / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	2.6%	<i>n.a.</i>	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	-	-	-		
<b>= Free Cash Flow</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>0.7</b>	<b>(1.7)</b>	<b>1.1</b>	<b>1.5</b>	<i>n.a.</i>	<b>29.2%</b>
<i>Free Cash Flow growth</i>	-39.5%	-0.1%	42.3%	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	32.9%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.2%	<i>n.a.</i>	1.9%	2.5%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.2%	<i>n.a.</i>	1.9%	2.5%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
<b>Recurrent FCF(FY - 1)</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>0.1</b>	<b>(1.7)</b>	<b>1.1</b>		
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		
<b>= Recurrent EBITDA variation</b>	<b>0.4</b>	<b>0.8</b>	<b>(0.2)</b>	<b>0.5</b>	<b>1.4</b>	<b>1.1</b>	<b>0.5</b>		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	0.0	(0.8)	(0.8)	1.2	(2.8)	2.1	0.1		
<b>= Recurrent Operating Cash Flow variation</b>	<b>0.5</b>	<b>0.0</b>	<b>(1.0)</b>	<b>1.7</b>	<b>(1.4)</b>	<b>3.2</b>	<b>0.6</b>		
+/- 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)		
<b>= Recurrent Free Cash Flow variation</b>	<b>0.5</b>	<b>0.0</b>	<b>(1.2)</b>	<b>2.1</b>	<b>(1.8)</b>	<b>2.8</b>	<b>0.4</b>		
<b>Recurrent Free Cash Flow</b>	<b>(0.9)</b>	<b>(0.8)</b>	<b>(2.0)</b>	<b>0.1</b>	<b>(1.7)</b>	<b>1.1</b>	<b>1.5</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
<b>EBIT</b>	<b>(0.8)</b>	<b>(0.0)</b>	<b>0.6</b>	<b>0.9</b>	<b>1.7</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<b>51.6%</b>
* <i>Theoretical Tax rate</i>	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)		
<b>Recurrent EBITDA</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>1.6</b>	<b>2.7</b>	<b>3.2</b>	<i>n.a.</i>	<i>n.a.</i>
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	0.1	(0.7)	(1.5)	(0.3)	(3.1)	(0.9)	(0.9)		
<b>= Recurrent Operating Cash Flow</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>1.8</b>	<b>2.4</b>	<b>-44.1%</b>	<i>n.a.</i>
- CAPEX	-	-	-	-	-	(0.2)	(0.4)		
- Taxes (pre- Financial Result)	-	-	-	-	(0.2)	(0.4)	(0.5)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(1.7)</b>	<b>1.2</b>	<b>1.5</b>	<b>-44.1%</b>	<i>n.a.</i>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-36.9%	-1.0%	126.3%	-92.2%	<i>n.a.</i>	<i>n.a.</i>	28.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	12.7%	14.6%		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.0)	0.0	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(1.7)</b>	<b>1.2</b>	<b>1.5</b>	<b>-45.3%</b>	<i>n.a.</i>
<i>Free Cash Flow (To the Firm) growth</i>	-36.8%	-1.0%	126.4%	-92.7%	<i>n.a.</i>	<i>n.a.</i>	28.9%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.9%	2.5%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	1.9%	2.5%		

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	59.9	
+ 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	-	
<b>Enterprise Value (EV)</b>	<b>61.9</b>	

## Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
									08-18	18-21e
<b>Total Revenues</b>	0.0	0.4	2.0	2.7	4.5	8.1	9.3	10.4	n.a.	32.5%
<b>Total Revenues growth</b>	n.a.	1161.8%	392.7%	34.8%	66.0%	79.5%	15.6%	12.2%		
<b>EBITDA</b>	(1.4)	(0.9)	(0.1)	0.5	0.7	1.6	2.7	3.2	n.a.	63.6%
<b>EBITDA growth</b>	n.a.	34.0%	88.7%	584.2%	48.5%	119.1%	68.3%	18.7%		
<b>EBITDA/Sales</b>	n.a.	n.a.	n.a.	18.2%	16.3%	19.9%	29.0%	30.7%		
<b>Net Profit</b>	(1.1)	(0.8)	(0.1)	0.4	1.2	1.4	2.2	2.6	n.a.	31.3%
<b>Net Profit growth</b>	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		
<b>EPS growth</b>	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		
<b>Ord. EPS growth</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	57.1%	19.9%		
CAPEX	-	-	-	-	-	-	(0.2)	(0.4)		
<b>CAPEX/Sales %</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	3.4%		
<b>Free Cash Flow</b>	(1.4)	(0.8)	(0.8)	(1.2)	0.7	(1.7)	1.1	1.5	n.a.	29.2%
<b>ND/EBITDA (x)<sup>(3)</sup></b>	n.a.	n.a.	n.a.	4.2x	2.6x	1.9x	0.7x	0.2x		
<b>P/E (x)</b>	n.a.	n.a.	n.a.	27.0x	35.1x	42.6x	27.7x	23.1x		
<b>EV/Sales (x)</b>	n.a.	12.2x	5.2x	6.0x	2.6x	7.7x	6.6x	5.9x		
<b>EV/EBITDA (x)<sup>(3)</sup></b>	n.a.	n.a.	n.a.	33.2x	16.0x	38.5x	22.9x	19.3x		
<b>Absolute performance</b>	-72.5%	78.9%	60.3%	-31.2%	316.0%	316.0%				
<b>Relative performance vs Ibx 35</b>	-70.3%	82.6%	49.3%	-19.1%	272.0%	272.0%				

Note 1: 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

Market data	Biometrics (Niche Players)							Technological cias with exposure to biometrics					FACE	
	EUR Mn	CyberLink	Egis Technology	Elan Microelectronics Corp.	Mitek Systems, Inc.	OneSpan	Secunet	Suprema ID Inc.	Average	Diebold Nixdorf Technology	NEC	NICE		Synaptics
<b>Ticker (Reuters)</b>	5203.TW	6462.TWO	2458.TW	MITK.O	OSPN.O	YNSG.DE	317770.KQ		DBD	6701.T	NICE.O	SYNA.O		FACE.MC
<b>Country</b>	Taiwan	Taiwan	Taiwan	USA	USA	Germany	S. Korea		USA	Japan	Israel	USA		Spain
<b>Market cap</b>	284.4	503.3	881.7	347.1	726.8	890.0	47.6		769.5	10,601.5	9,736.1	2,187.0		59.9
<b>Enterprise value (EV)</b>	204.8	454.0	772.0	317.1	653.4	889.0	23.5		2,521.5	15,565.2	9,264.3	2,297.1		61.9
<b>Total Revenues</b>	43.7	223.7	281.6	77.6	224.8	230.0	18.7		3,980.6	24,831.2	1,425.9	1,295.0		8.1
<b>Total Revenues growth</b>	-2.7%	32.7%	14.1%	41.8%	21.5%	40.9%	32.3%	25.8%	-0.3%	6.0%	13.2%	-7.2%	2.9%	79.5%
<b>2y CAGR (2019e - 2021e)</b>	10.1%	23.2%	7.1%	16.8%	7.9%	3.9%	23.8%	13.3%	-1.3%	1.9%	7.8%	-4.6%	0.9%	13.9%
<b>EBITDA</b>	1.0	34.7	70.8	7.6	24.6	41.9	4.9		364.6	1,970.0	457.2	109.0		1.6
<b>EBITDA growth</b>	-92.1%	58.5%	35.8%	721.9%	132.0%	43.7%	7.0%	129.5%	74.7%	20.0%	47.3%	74.7%	54.2%	119.1%
<b>2y CAGR (2019e - 2021e)</b>	5.6%	45.6%	7.7%	81.7%	30.2%	9.7%	27.7%	29.7%	9.2%	5.8%	9.3%	34.3%	14.6%	41.4%
<b>EBITDA/Revenues</b>	2.3%	15.5%	25.1%	9.8%	11.0%	18.2%	26.4%	15.5%	9.2%	7.9%	32.1%	8.4%	14.4%	19.9%
<b>EBIT</b>	8.5	33.6	61.9	(0.1)	26.9	35.4	5.0		240.1	n.a.	389.1	12.2		1.7
<b>EBIT growth</b>	-29.5%	62.4%	25.4%	95.2%	n.a.	31.4%	23.5%	34.7%	n.a.	n.a.	124.4%	128.6%	126.5%	84.1%
<b>2y CAGR (2019e - 2021e)</b>	25.4%	46.2%	10.0%	n.a.	11.0%	10.7%	25.5%	21.5%	20.0%	n.a.	11.9%	268.7%	100.2%	37.6%
<b>EBIT/Revenues</b>	19.5%	15.0%	22.0%	n.a.	12.0%	15.4%	26.8%	18.4%	6.0%	n.a.	27.3%	0.9%	11.4%	20.7%
<b>Net Profit</b>	11.7	28.7	64.7	(0.7)	16.7	24.1	4.2		(6.7)	638.2	308.2	(18.6)		1.4
<b>Net Profit growth</b>	24.3%	50.0%	48.0%	-88.8%	n.a.	35.2%	50.9%	19.9%	-98.5%	51.3%	126.0%	-73.2%	1.4%	22.9%
<b>2y CAGR (2019e - 2021e)</b>	15.9%	42.4%	3.2%	n.a.	39.0%	10.8%	23.8%	22.5%	n.a.	14.5%	10.5%	n.a.	12.5%	35.8%
<b>CAPEX/Sales %</b>	-0.5%	-0.3%	-1.7%	-1.3%	n.a.	-1.7%	0.0%	-0.9%	-1.1%	-2.3%	-1.9%	-1.6%	-1.7%	0.0%
<b>Free Cash Flow</b>	12.1	36.2	62.5	6.1	(7.9)	13.0	n.a.		75.6	728.5	332.8	57.4		(1.7)
<b>Net financial debt</b>	n.a.	(48.5)	(89.8)	(30.5)	(81.8)	(55.9)	(11.0)		1,602.2	1,922.0	(279.9)	123.6		3.1
<b>ND/EBITDA (x)</b>	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
<b>Pay-out</b>	77.4%	63.4%	74.8%	n.a.	n.a.	49.1%	0.0%	53.0%	0.0%	20.3%	0.0%	n.a.	6.8%	0.0%
<b>P/E (x)</b>	26.3	17.4	13.5	n.a.	43.4	36.7	10.3	24.6	n.a.	17.1	33.4	n.a.	25.2	42.6
<b>P/BV (x)</b>	2.4	6.3	4.1	3.5	n.a.	11.0	2.4	4.9	n.a.	1.4	4.8	3.7	3.3	13.2
<b>EV/Revenues (x)</b>	4.7	2.0	2.7	4.1	2.9	3.9	1.3	3.1	0.6	0.6	6.5	1.8	2.4	7.7
<b>EV/EBITDA (x)</b>	n.a.	13.1	10.9	41.8	26.5	21.2	4.8	19.7	6.9	7.9	20.3	21.1	14.0	39.4
<b>EV/EBIT (x)</b>	24.0	13.5	12.5	n.a.	24.3	25.1	4.7	17.3	10.5	n.a.	23.8	n.a.	17.2	37.1
<b>ROE</b>	9.8	36.8	29.6	n.a.	5.1	32.1	23.2	22.8	1.7	8.8	15.6	n.a.	8.7	40.4
<b>FCF Yield (%)</b>	4.3	7.3	7.2	3.4	n.a.	1.5	n.a.	4.7	9.8	6.9	3.4	5.4	6.4	n.a.
<b>DPS</b>	0.10	0.26	0.18	n.a.	n.a.	1.83	0.00	0.48	0.00	0.50	0.00	n.a.	0.17	0.00
<b>Dvd Yield</b>	3.1%	3.7%	6.3%	n.a.	n.a.	1.3%	0.0%	2.9%	0.0%	1.2%	0.0%	n.a.	0.4%	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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#### Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
21-Jan-2020	n.a.	4.51	n.a.	n.a.	12m19 Preliminary Results	David López Sánchez
20-Dec-2019	n.a.	2.24	n.a.	n.a.	Initial Coverage	David López Sánchez