

Business description

IFFE Futura (IFF) is a small holding based in Oleiros (Galicia) whose activity is diversified in three segments: (i) services, through a business school and consultancy business, (ii) real estate development with a purchase option on various pieces of land, and (iii) industrial, with a large plant for the production of Omega-3: a project which is at the funding stage and which, if successful, would imply a significant step-up in scale.

Market Data

Market Cap (Mn EUR and USD)	15.6	18.2
EV (Mn EUR and USD) ⁽²⁾	17.5	20.3
Shares Outstanding (Mn)	23.0	
-12m (Max/Med/Min EUR)	1.85 / 1.16 / 0.30	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	9.4	
Factset / Bloomberg	IFF-ES / IFF SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

David Carro	53.5
Inveready	12.2
José Poza	5.3
Free Float	29.0

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-6.8	0.7	-63.2	n.a.
vs Ibex 35	-7.9	-2.5	-72.0	n.a.
vs Ibex Small Cap Index	-7.0	4.0	-70.5	n.a.
vs Eurostoxx 50	-7.7	-2.4	-72.2	n.a.
vs Sector benchmark ⁽⁴⁾	-8.3	-0.2	-69.8	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

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

(4) vs Stoxx Europe 600 Food & Beverage.

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

1H21, no surprises. The focus should be on the raising of capital (that now seems closer)

The main figures for 1H21 are: Revenues EUR 0.5Mn (-3.1% vs 1H20), Rec. EBITDA at breakeven and Net Profit EUR 0.3Mn (vs EUR 0.5Mn in 1H20), boosted by c. EUR 0.4Mn of extraordinary revenue. As regards the balance sheet, net debt remains at levels of EUR 2.8Mn (in line with 2020). Specifically, we highlight:

NO SURPRISES IN THE TRADITIONAL BUSINESS (THAT CONTINUES TO PLAY A KEY ROLE): Despite not providing critical mass (1H21 revenue EUR 0.5Mn), IFF's traditional business (education and consultancy) continues to underpin the P&L (1H21 EBITDA at breakeven). This enables the company to bear the cost of the wait for the raising of capital for and start-up of the Omega-3 project which should be the long-term business driver.

MAINTAINING STABLE DEBT (ND: EUR 2.8MN) associated mainly with the urban development project in Oleiros (La Coruña) for which definitive approval of the partial plan for the SUD 6 development that involves the building of 374 homes and the development of 12,000m² of commercial space has already been obtained (property development can be seen as an additional option, although its development will require funding). In addition, at the 1H21 close, IFF had EUR 2.4Mn of debt with related parties (adjusted to the EV, see annexe 3 on page 3 of this report).

BUT THE FOCUS SHOULD REMAIN ON RAISING CAPITAL... IFF's omega-3 project is still at the investment stage (percentage completion of the work > 70%; c. EUR 15Mn already invested) and requires a total investment of, at least, EUR 7Mn to complete the building work and start operating. So, obtaining funding is still an essential prerequisite for IFF being able to begin its activity as a manufacturer of Omega-3.

... FOR A PROJECT (OMEGA-3) THAT, IF IT GOES AHEAD, WILL REPRESENT AN AUTHENTIC STEP-UP IN SIZE FOR THE COMPANY. Driven by a subsector that at first glance is attractive (healthy food; dietary supplements). We maintain our central scenario (see annexe 2 on page 3 of this report) of capacity utilisation rates of c. 60% for this plant (out of a theoretical maximum capacity of 85%) from the fifth year after the entry of capital. That should result in revenue of c. EUR 40Mn and EBITDA of c. EUR 10Mn for IFF (EBITDA margin of 25%).

A RAISING OF CAPITAL THAT, WITH INVEREADY ENTERING THE CAPITAL, NOW SEEMS CLOSER. In June 2021 it was announced that Inveready (an institutional investor specialising in the funding of listed Small Caps) had entered IFF's capital with a shareholding of 12.2% and the signing of a pre-agreement for funding of EUR 2.5Mn via the issuance of convertible bonds (at a conversion price of EUR 0.33/share; expiring in 5 years from the date of subscription in the event of non-conversion). A pre-agreement that in our view is of great significance as it could help to complete the funding necessary for the start-up of the omega-3 project.

IFFE Futura (IFFE) is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity 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). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth 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 BME Growth (former MAB) started in July 2009. There are currently c.120 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

Appendix 1. 1H21 Results

EUR Mn	6m21		6m21 Real vs 6m20
	Real	6m20	
Total Revenues	0.5	0.6	-3.1%
Recurrent EBITDA	0.0	-0.2	87.9%
<i>Rec. EBITDA/Revenues</i>	<i>-5.0%</i>	<i>-40.2%</i>	<i>35.2 p.p.</i>
EBITDA	0.0	-0.2	90.8%
<i>EBITDA/Revenues</i>	<i>-4.0%</i>	<i>-42.8%</i>	<i>38.7 p.p.</i>
EBIT	0.0	-0.2	87.1%
NP	0.3	0.5	-39.7%
Net Debt	2.8	2.9	-4.9%

Appendix 2. IFF's Omega-3 project – Key figures (Lighthouse central scenario)

EUR Mn	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenues	5.2	15.6	31.9	39.4	42.5
Gross Margin	2.4	7.0	13.9	16.8	17.6
Operating expenses	(1.3)	(3.0)	(5.0)	(6.1)	(6.5)
Recurrent EBITDA	1.1	4.0	8.9	10.7	11.1
Recurrent Free Cash Flow	(1.1)	(0.7)	3.0	7.1	7.1
<i>Rec. EBITDA/Revenues</i>	<i>20.4%</i>	<i>25.3%</i>	<i>28.0%</i>	<i>27.0%</i>	<i>26.2%</i>
<i>Sales (Tn/Year)</i>	<i>814.0</i>	<i>2,442.0</i>	<i>4,977.5</i>	<i>6,160.0</i>	<i>6,633.0</i>
<i>Utilisation rate (%)</i>	<i>7.4%</i>	<i>22.1%</i>	<i>45.0%</i>	<i>55.7%</i>	<i>60.0%</i>
<i>Sale price (EUR kg)</i>	<i>6.4</i>	<i>6.4</i>	<i>6.4</i>	<i>6.4</i>	<i>6.4</i>
<i>Raw material price (EUR kg)</i>	<i>2.8</i>	<i>2.9</i>	<i>2.9</i>	<i>3.0</i>	<i>3.0</i>
<i>Coste total (EUR Kg)</i>	<i>5.1</i>	<i>4.8</i>	<i>4.6</i>	<i>4.7</i>	<i>4.7</i>

- (1) As we don't know when IFFE will obtain the financing needed to complete the development of the Omega-3 plant, we have carried out an abstract analysis of the numbers of the project, taking as the starting point (Year 1) the moment immediately after the funding is obtained, which should enable IFFE to put the plant into production within eight months (six to finish the construction work and two months of trials and tests). Our central scenario at present assumes the project achieves theoretical maturity 5 years after the financing is obtained.
- (2) The Rec. FCF for Year 1 does not include the CAPEX required for: (i) the start-up of the project (EUR 5Mn to conclude the construction work) and (ii) the repurchase of the land (a maximum of EUR 2Mn). These amounts should be included as debt in the calculation of the project's enterprise value

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	15.6	
+ Minority Interests	0.5	6m Results 2021
+ Provisions & Other L/T Liabilities	0.0	6m Results 2021
+ Net financial debt	2.8	6m Results 2021
- Financial Investments	3.9	6m Results 2021
+/- Others ⁽¹⁾	2.4	6m Results 2021
Enterprise Value (EV)	17.5	

(1) Related to debt with related parties .

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-Oct-2021	n.a.	0.68	n.a.	n.a.	6m Results 2021	David López Sánchez
18-May-2021	n.a.	1.00	n.a.	n.a.	Important news	David López Sánchez
23-Feb-2021	n.a.	1.23	n.a.	n.a.	Important news	David López Sánchez
28-Oct-2020	n.a.	1.85	n.a.	n.a.	6m Results 2020	David López Sánchez
09-Jul-2020	n.a.	1.85	n.a.	n.a.	Initiation of Coverage	David López Sánchez

