

Important news

Opinion ⁽¹⁾: Positive

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

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A new stage: IFFE Futura closes the funding of its Omega-3 plant

Business description

IFFE Futura (IFF) is building a large plant for the production of Omega-3. Once on stream, the plant will be able to produce 10,000 Tn of Omega-3, that, once on stream, will represent a large step-up in size for the company. The production of Omega-3 will become, de facto, IFF's core business. The company also has a business school and consultancy business (2021 revenue: EUR 1Mn).

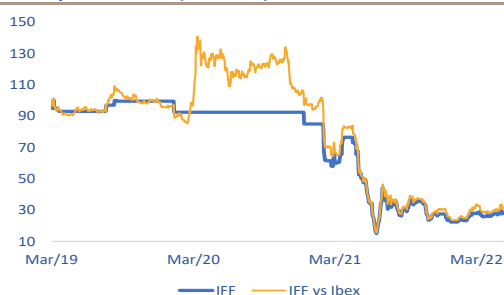
Market Data

Market Cap (Mn EUR and USD)	13.1	13.7
EV (Mn EUR and USD) ⁽²⁾	16.5	17.3
Shares Outstanding (Mn)	23.0	
-12m (Max/Med/Min EUR)	0.89 / 0.57 / 0.30	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	11.8	
Factset / Bloomberg	IFF-ES / IFF SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

David Carro	51.8
Inveready	12.2
José Poza	5.3
Free Float	30.7

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	1.8	5.6	56.6	n.a.
vs Ibex 35	5.9	9.0	76.8	n.a.
vs Ibex Small Cap Index	4.0	6.7	74.0	n.a.
vs Eurostoxx 50	10.8	19.3	89.4	n.a.
vs Sector benchmark ⁽⁴⁾	11.2	13.3	70.4	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 1.

(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.

IFFE HAS ANNOUNCED A NUMBER OF AGREEMENTS THAT TIE UP THE FINANCING OF ITS OMEGA-3 PLANT IN GALICIA... that will be its core business, for a total amount of EUR 18Mn. An amount that, in our view, will allow the company to comfortably finance the end of the construction work and start-up of its plant (with capacity to produce 10,000Tn of Omega-3; that should allow IFFE to aspire to revenue of c. EUR 45Mn in a period of 4 years). The financing has been agreed with Inveready, Banco Sabadell, XesGalicia and other investors. The EUR 18Mn financing commitment is structured as follows:

- Inveready will provide a total of EUR 9.1Mn in the shape of: (i) EUR 7.1Mn of convertible bonds maturing 57-60 months from subscription and (ii) a EUR 2Mn convertible loan (with a 3-year grace period + 1-year repayment period). For both instruments the conversion price will be 0.33 euros per share. The theoretical conversion of 100% of the convertible financing will make Inveready IFFE's main shareholder with a c. 45% stake.
- A EUR 4.1Mn capital increase, already agreed with several investors interested in entering the company's capital at a price of 0.354 euros per share.
- Banco Sabadell, with a EUR 4Mn loan in two tranches: (i) EUR 2.5Mn on the mechanical completion of the plant and (ii) EUR 1.5Mn by virtue of certain milestones (that will finance the plant's working capital once this is on stream).
- XesGalicia, the Xunta de Galicia's venture capital company, that will invest up to EUR 1.2Mn, that, in addition, implies institutional support for IFFE's Omega-3 plant.

... AND REACHES AN AGREEMENT WITH NATAC, THAT WILL BECOME A MINORITY SHAREHOLDER OF IFFE BIOTECH (20% STAKE). Natac, a Spanish biotech group (with experience in the sector of natural ingredients for use in food supplements, functional food, etc.) will provide IFFE Biotech with the intellectual property for the manufacture of Omega-3 (low in phytanic acid) in exchange for 20% of capital. In our opinion, this agreement reduces IFFE Biotech's commercial risk.

AND SIMPLIFIES ITS STRUCTURE. For two reasons: (i) it will buy the plot of land on which the Omega-3 plant is being built for EUR 2.5Mn in exchange for EUR 1.6Mn in cash and 100% of the developer Millimex Developments and (ii) it has announced the sale of IFFE Desarrollos (IFFE's property business; both the assets and associated debt of c. EUR 2Mn will be transferred) to David Carro (main shareholder of IFFE) for a symbolic price of one euro, and an annual amount equivalent to 10% of the EBITDA generated by IFFE Desarrollos for a period of 20 years.

THIS MARKS THE START OF A NEW STAGE: IFFE BIOTECH IS NOW, DE FACTO, THE DOMINANT BUSINESS. The agreements announced resolve the big question mark that had hung over the financing of the Omega-3 plant (that should come on stream in 1Q23). This, in our view, represents an absolute turning point for IFFE, not just as regards size (revenue of c. EUR 45Mn in a period of 4 years?) but also business (by entering a business that, a priori, is very attractive: healthy food).

IFFE Futura (IFFE) is a BME Growth company

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	13.1	
+ Minority Interests	0.3	12m Results 2021
+ Provisions & Other L/T Liabilities	-	12m Results 2021
+ Net financial debt	4.3	12m Results 2021
- Financial Investments	1.2	12m Results 2021
+/- Others		
Enterprise Value (EV)	16.5	

For further details about the Omega-3 plant of IFFE Futura, see the initiation of coverage report published on 9 July 2020.

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
20-Jun-2022	n.a.	0.57	n.a.	n.a.	Important news	David López Sánchez
25-Oct-2021	n.a.	0.68	n.a.	n.a.	6m Results 2021	David López Sánchez
18-May-2021	n.a.	1.00	n.a.	n.a.	Important news	David López Sánchez
23-Feb-2021	n.a.	1.23	n.a.	n.a.	Important news	David López Sánchez
28-Oct-2020	n.a.	1.85	n.a.	n.a.	6m Results 2020	David López Sánchez
09-Jul-2020	n.a.	1.85	n.a.	n.a.	Initiation of Coverage	David López Sánchez

