

BUY (unchanged)

FACEPHI

SPAIN | INFORMATION TECHNOLOGY

2H24 results confirm strong commercial momentum; we raise TP by 50% and reiterate Buy

Price (€)	2.33
Target Price (€)	3.00
prev. (€)	2.00
Target Return	28.8%
Ticker	FACE SM
Shares Out (m)	26
Market Cap (€m)	60

Key Estimates	2024a	2025e	2026e
P/E (x)	nm	209.7	21.3
P/CF (x)	nm	11.1	7.1
EV/EBITDA (x)	nm	11.1	6.6
P/BV (x)	2.4	3.1	2.7
Div yield (%)	0.0	0.0	0.0

Performance (%)	1D	1M	YTD
Price Perf	0.4	-4.9	39.5
Rel IBEX 35	1.1	-5.3	21.0

Source: Company data, FactSet and JB Capital estimates

Facephi's FY24 audited results confirm the trends already anticipated in the 2H24 trading statement, with revenue and margin performance broadly in line with our expectations. The positive note comes from the balance sheet: Net Debt closed at €4.4m, below our forecast of €8.3m, mainly due to a better-than-expected working capital contribution. This reinforces our view that Facephi has reached an inflection point not only in profitability, but also in free cash flow generation. Additionally, key commercial KPIs remain strong. ARR reached €28.0m (+28.5% YoY) while TCV increased to €57.8m (+49.5% YoY), providing greater visibility into FY25 revenues. As a result, we have raised our EBITDA estimates for 2025-2027 by an average of 36%, and our DCF-derived target price by 50% to €3.0/shr, implying a c.29% upside from current levels (including a 20% liquidity discount). We estimate that the stock is trading at a 2026 EV/EBITDA of 7x, below the 10.7x average of its main peers, indicating potential for re-rating as well. We reiterate Buy.

Change to estimates. We raise our FY25-27e sales and EBITDA by 8% and 36%, respectively, supported by strong commercial momentum seen at YE24, with 72% of our FY25e revenues now covered by existing ARR. We anticipate that this should enable Facephi to expand its margins (given stable cost structure following recent capacity investments). Overall, we now expect revenues to grow at a 23% CAGR over 2024-27 (vs 20% before), with further margin expansion as the company benefits from operating leverage. We now expect Facephi to reach a normalized EBITDA margin of 15% by 2025 – one year earlier than previously.

2H24 confirms the growth story. Facephi reported 2H24 revenues of €17.2m (+12% YoY) driven by the launch of new products (IDV Suite, TESEO Wallet), geographical expansion (eg., Canada, Saudi Arabia, South Korea), and increased sector diversification beyond banking. Although financial services still represent c.90% of total revenues, the company has started to gain traction in new verticals, including insurance (3%), fintech (2.6%), and security services (2.5%). 2H24 EBIT at -€0.9m (impacted by -€1m extraordinary items) was also in line with our estimates, already showing improved operating efficiency.

Deleveraging is in progress. Facephi reported a Net Debt of €4.4m (excluding convertible instruments) as of December 2024, well below our €8.3m forecast and the c. €11m published at 1H24. The deviation is primarily due to a better-than-expected working capital contribution. This reinforces our view that Facephi is currently at an inflection point not only in profitability but also in FCF generation.



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Facephi: 2H24 results

€m	2H23	2H24	YoY	2H24e	vs JB Capital	FY23	FY24	YoY
Net sales	15.4	17.2	12%	16.0	8%	25.2	28.9	15%
COGS	-1.5	-2.6	79%	-1.9	41%	-3.4	-4.8	42%
Gross profit	13.9	14.5	4%	14.1	3%	21.8	24.1	11%
Gross margin	90.4%	84.6%	-6p.p	88.3%	-4p.p	86.6%	83.4%	-3p.p
Other costs	-11.8	-12.5	6%	-11.8	6%	-22.4	-25.2	12%
EBITDA	2.1	2.0	-5%	2.1	-4%	-0.6	-1.1	79%
EBITDA Mg.	13.8%	11.7%	-2p.p	13.1%	-1p.p	-2.4%	-3.7%	-1p.p
D&A	-3.4	-2.9	-15%	-2.5	19%	-4.8	-5.6	17%
EBIT	-1.3	-0.9	-30%	-0.4	n.m.	-5.4	-6.7	24%
Fin Expenses	-1.2	-0.3	-72%	-0.5	-37%	-1.7	-0.7	-60%
PBT	-2.5	-1.3	-51%	-0.9	39%	-7.1	-7.3	4%
Taxes	2.9	-1.3	n.m.	1.3	n.m.	2.7	-1.6	n.m.
Minorities	0.0	0.0	n.m.	0.0	n.m.	0.0	0.0	n.m.
Net Income	0.4	-2.6	n.m.	0.4	n.m.	-4.3	-8.9	106%
Net debt	9.0	4.4	-51%	8.3	-46%	9.0	4.4	-51%

Source: Company data and JB Capital estimates

Changes to estimates

	2025e	2026e	2027e
Revenues	39.0	46.8	53.8
Previously	36.0	43.2	49.6
Δ (%)	8.4%	8.4%	8.4%
EBITDA	5.9	9.7	12.9
Previously	4.0	7.4	10.3
Δ (%)	49.7%	31.2%	25.6%
EBIT	0.8	4.1	7.0
Previously	-1.1	2.1	4.7
Δ (%)	-177.6%	100.9%	48.9%
Net income	0.3	2.8	5.0
Previously	-1.3	1.0	3.0
Δ (%)	-121.4%	171.9%	64.5%
Net Financial debt	5.9	3.9	0.9
Previously	10.4	10.0	9.0
Δ (%)	-42.8%	-61.5%	-89.5%

Source: JB Capital estimates

Facephi comparable multiples

	Last Price LC	FX	Mkt Cap €m	P/E (x)		EV/Sales		EV/EBITDA		Sales CAGR 2024-26e
				2025e	2026e	2025e	2026e	2025e	2026e	
Facephi (JB Capital est.)	2.3	EUR	60	347.3	22.1	1.8	1.5	11.8	7.0	27%
Thales SA	239.7	EUR	49,364	24.8	21.6	2.4	2.2	13.4	12.4	8%
Clear Secure Inc.	25.3	USD	2,955	17.1	14.9	3.2	2.9	12.5	11.0	11%
Secunet Sec. Networks	200.0	EUR	1,300	42.0	36.4	2.9	2.7	19.3	17.1	8%
Elan Microelectronics Corp.	129.0	TWD	1,068	12.9	11.8	2.7	2.5	10.0	11.3	8%
GB Group	234.5	GBP	696	13.5	12.6	2.3	2.3	9.5	9.4	2%
OneSpan	15.2	USD	510	11.2	11.0	2.0	1.9	6.7	6.3	4%
Mitek Systems	8.5	USD	338	9.6	8.0	2.4	2.1	8.8	7.4	6%
Average (excl. FacePhi)				18.7	16.6	2.6	2.4	11.5	10.7	7%

Source: Bloomberg as of date 29/04/2025

Overview and strategy

Founded in 2012 and headquartered in Alicante, Spain, Facephi is a technology company specialising in digital identity verification, authentication and onboarding solutions. Over the past decade, Facephi has developed a robust portfolio of proprietary biometric technologies designed to enhance security, accessibility and fraud prevention, while ensuring ethical data processing. The company has established itself as a key player within the financial services industry – a sector where it has achieved significant market penetration; it is also actively pursuing a diversification strategy aimed at replicating its success in the financial sector in new markets such as travel and public administration. This strategy positions Facephi well to capture growth opportunities in markets with rising demand for secure digital identity solutions. Beyond its headquarters in Spain, Facephi operates through regional subsidiaries, including EMEA (London, UK), APAC (Seoul, South Korea), and LatAm (Montevideo, Uruguay). Facephi has 233 employees (including 70% technical staff) and generates 94% of its revenues in LatAm (mainly Argentina, Costa Rica, México and Panamá).

Valuation and catalysts

We reiterate our Buy rating and increase our target price by 50% to €3.0/shr target price (29% upside).

Our DCF model includes explicit free cash flow forecasts up to 2031. We use a discount rate (WACC) of 10% for the explicit period and for the terminal value. As for long-term growth rate, we assume 2%. We reach an enterprise value (EV) of €104m, from which we subtract the 2024 Net Debt of €4.4m (excluding convertibles and shareholding loans). We adjust the number of shares to reflect the dilution arising from convertibles drawn (€0.6m) and shareholding loans (€2m with Nice & Green). Last, we adjust a 20% standard liquidity discount, given Facephi's reduced size and trading volume (€40k/day over the past 12 months).

Facephi DCF valuation

DCF Analysis

EV (25e-31e)	22.9	22%
EV - Terminal value	80.9	78%
Total EV	104	
(-) Net debt 24 (ex-convertibles)	4.4	
Total Equity	99.4	
Current N° of Shares (m shares)	25.8	
Nice & Green shareholder loan (October) ¹	1.3	€2m at 103% of the VWAP of reference (Maturing in 2025)
Treasury Stock	0.4	
Fair Value (€/Shr)	3.7	
(-) Liquidity disc (20%)	-0.7	
Target Price (€/Shr)	3.0	

DCF Assumptions: 10% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".

Source: JB Capital estimates

Key catalysts include: i) results releases, confirming the company's top-line growth and consequent margin improvement potential; ii) announcements regarding new clients, demonstrating increasing penetration; and iii) strategic partnerships to accelerate growth in regions such as APAC and EMEA.

Recommendation

We base our Buy rating on the following factors: i) Sector tailwinds driven by the digital transformation of businesses and increasing regulatory demand for secure digital identity solutions; ii) strong growth and margin expansion expectations, with 20% CAGR for sales in 2024-28 and an outlook for sustained margin expansion, reaching EBITDA of €9.7m by 2026 (c. 20% EBITDA margin vs breakeven in 2024); and iii) valuation, as we expect Facephi to trade at c.7x EV/EBITDA for 2026 (vs the 10.7x average for its main peers).

P&L

€m	2021a	2022a	2023a	2024a	2025e	2026e	2027e
Revenues	13	22	25	29	39	47	54
EBITDA	1	4	-1	-1	6	10	13
Depreciation	-1	-2	-5	-6	-5	-6	-6
Provisions	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
EBIT	-1	2	-5	-7	1	4	7
Net financial result	0	-1	-2	-1	0	0	0
Associates	0	0	0	0	0	0	0
Non-recurrent results & others	0	0	0	0	0	0	0
PBT	-1	1	-7	-7	0	4	7
Taxes	0	0	3	-2	0	-1	-2
Results from discontinued operations	0	0	0	0	0	0	0
Minorities	0	0	0	0	0	0	0
Net Attributable profit	-1	1	-4	-9	0	3	5

BALANCE SHEET

€m	2021a	2022a	2023a	2024a	2025e	2026e	2027e
Tangible assets	0	2	3	2	2	2	2
Intangible assets	5	8	12	12	13	14	15
Financial assets & Associates	0	0	0	0	0	0	0
Other L/T assets	2	7	12	6	6	6	6
Inventories	0	0	0	0	0	0	0
Account Receivable	8	13	15	22	21	24	27
Other S/T assets	0	0	1	1	1	1	1
Cash & cash equivalents	2	2	3	6	6	8	11
TOTAL ASSETS	18	32	46	50	49	55	62
Shareholders' equity	9	15	20	19	19	22	27
Minority interests	0	0	0	0	0	0	0
L/T Financial debt	5	4	3	3	4	4	4
L/T Provisions	0	0	0	0	0	0	0
Other L/T liabilities	0	1	0	1	1	1	1
S/T Financial debt	2	4	10	10	11	11	11
Accounts payable	3	5	11	15	12	15	17
Other S/T liabilities	0	3	2	2	2	2	2
TOTAL LIABILITIES	18	32	45	50	49	55	62

Source: Company data, FactSet and JB Capital estimates

CASH FLOW STATEMENT

€m	2021a	2022a	2023a	2024a	2025e	2026e	2027e
EBITDA	1	4	-1	-1	6	10	13
Net financial result	0	0	-1	-2	0	0	0
Dividends collected	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	-1	-2
Change in Working Capital	-8	-7	1	3	-1	0	-1
Other CF from operations	6	-2	2	0	0	0	0
Cash Flow from Operations	-2	-6	1	1	5	8	10
CAPEX	-3	-2	-10	-5	-6	-6	-7
Disposals	0	0	0	0	0	0	0
Financial investments	0	0	0	0	0	0	0
Other CF from investments	0	0	0	0	0	0	0
Cash Flow from Investments	-3	-2	-10	-5	-6	-6	-7
Dividends	0	0	0	0	0	0	0
Change in capital stock	0	5	8	8	0	0	0
Treasury stock variation	0	0	0	0	0	0	0
Debt variation (net)	4	4	2	-1	0	0	0
Other CF from financing	1	0	0	0	0	0	0
Cash Flow from Financing	5	9	10	8	0	0	0
Exchange rate effect	0	0	0	0	0	0	0
Net increase in cash & cash equivalents	0	0	1	3	-2	2	3
Net debt variation	4	4	2	-6	2	-2	-3

Per share data/ Leverage/ Profitability/ Valuation

	2021a	2022a	2023a	2024a	2025e	2026e	2027e
Last price (€)	3.9	2.5	2.0	1.7	2.3	2.3	2.3
Number of shares (m)	15	17	21	25	26	26	26
Market capitalization (€m)	66	48	56	46	60	60	60
Net Debt	5	9	10	4	6	4	1
EV (€)	71	56	66	50	66	64	61
EPS (€)	-0.04	0.06	-0.20	-0.35	0.01	0.11	0.19
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ND/EBITDA (x)	6.9	2.3	-17.0	-4.0	1.0	0.4	0.1
ND/(Equity + ND) (%)	35.2	36.4	33.9	18.4	23.4	14.7	3.3
EBITDA margin (%)	5.2	16.7	-2.4	-3.7	15.2	20.8	24.0
EBIT margin (%)	-4.6	7.8	-21.4	-23.1	2.1	8.8	13.1
ROE (%)	-6.4	7.3	-21.5	-46.3	1.5	12.7	18.3
ROCE (pre-tax) (%)	-4.3	9.0	-22.8	-29.3	3.4	15.5	22.2
EV/EBITDA	103.6	15.1	nm	nm	11.1	6.6	4.7
EV/EBIT	nm	32.3	nm	nm	80.4	15.5	8.7
FCFe yield (%)	nm	0.9	0.9	6.6	nm	3.5	4.9
FCF/EV (%)	nm	2.1	3.3	7.3	nm	3.8	5.4
P/E	nm	43.0	nm	nm	209.7	21.3	12.0
P/CF	90.3	15.5	118.9	nm	11.1	7.1	5.5
P/B	7.6	3.1	2.8	2.4	3.1	2.7	2.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, FactSet and JB Capital estimates

PROFITABILITY

FY End Dec (%)	2021a	2022a	2023a	2024a	2025e	2026e	2027e
Gross Margin	85.7	85.7	86.6	83.4	86.7	86.6	86.6
EBITDA Margin	5.2	16.7	-2.4	-3.7	15.2	20.8	24.0
EBIT Margin	-4.6	7.8	-21.4	-23.1	2.1	8.8	13.1
EBT Margin	-6.5	4.6	-28.0	-25.4	1.0	8.0	12.4
Net Margin	-4.2	5.0	-17.1	-30.8	0.7	6.0	9.3
Return on Assets	nm	3.4	nm	nm	0.6	5.2	8.1
Return on Equity	-6.4	7.3	-21.5	-46.3	1.5	12.7	18.3
Return on Capital Employed	-4.3	9.0	-22.8	-29.3	3.4	15.5	22.2
Return on Investment	-4.4	1.2	-13.2	-19.2	-0.3	4.5	7.5

VALUATION

FY End Dec (x)	2021a	2022a	2023a	2024a	2025e	2026e	2027e
P/E	nm	43.0	nm	nm	209.7	21.3	12.0
P/E (diluted)	nm	43.0	nm	nm	222.8	22.6	12.7
P/BVPS	7.6	3.1	2.8	2.4	3.1	2.7	2.2
P/Tangible BVPS	7.6	3.1	2.8	2.4	3.1	2.7	2.2
P/CFPS	90.3	15.5	118.9	nm	11.1	7.1	5.5
P/FCFPS	nm	nm	nm	nm	nm	28.9	20.6
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Div payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV	71	56	66	50	66	64	61
EV/Sales	5.4	2.5	2.6	1.7	1.7	1.4	1.1
EV/EBIT	nm	32.3	nm	nm	80.4	15.5	8.7
EV/EBITDA	103.6	15.1	nm	nm	11.1	6.6	4.7
Net Debt/EBITDA	6.9	2.3	-17.0	-4.0	1.0	0.4	0.1
FCFe yield (%)	nm	0.9	0.9	6.6	nm	3.5	4.9
FCF / EV (%)	nm	2.1	3.3	7.3	nm	3.8	5.4
Net Debt /(Equity + Net Debt)	35.2	36.4	33.9	18.4	23.4	14.7	3.3

Source: Company data, FactSet and JB Capital estimates

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ANALYST STOCK RATINGS

Buy – Analyst expects material upside potential to fair value, which should be realized in the next 12 months.

Neutral- Analyst expects immaterial upside/downside potential, which should be realized in the next 12 months.

Underweight - Analyst expects material downside potential to fair value, which should be realized in the next 12 months.

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