

6m Results 2020

Opinion ⁽¹⁾: In line.

Impact ⁽¹⁾: We will maintain our estimates.

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Business description

IFFE Futura (IFFE) 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)	42.5	50.2
EV (Mn EUR and USD) ⁽²⁾	42.7	50.4
Shares Outstanding (Mn)	23.0	
-12m (Max/Med/Mín EUR)	1.99 / 1.88 / 1.85	
Daily Avg volume (-12m Mn)	n.m.	
Rotation ⁽³⁾	0.0	
Thomson Reuters / Bloomberg	IFFE.MC / IFF SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

David Carro	58.8
Atlas Holding	9.4
Autocartera	5.5
Jose Pavon Olid	4.5
Free Float	21.8

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.0	0.0	-7.0	n.a.
vs Ibex 35	-0.3	7.8	31.8	n.a.
vs Ibex Small Cap Index	-0.4	-4.1	-5.8	n.a.
vs Eurostoxx 50	2.2	7.6	9.7	n.a.
vs Sector benchmark ⁽⁴⁾	3.5	4.7	-3.8	n.a.

(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 2.

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

(4) vs TR Europe Food Processing.

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

Obtaining funding for the omega-3 project is the big question mark

The main figures for 1H20 are: Revenues EUR 0.6Mn vs EUR 0.5Mn (+10% vs 1H19), Rec. EBITDA EUR -0.2Mn and Net Profit EUR 0.5Mn (vs EUR 0.2Mn in 1H19), boosted by c. EUR 0.9Mn of extraordinary revenue. As regards the balance sheet, net debt remained at c. EUR 2.9Mn (-6.5% vs 2019). We highlight:

CORE BUSINESSES CONTINUE TO PLAY A KEY ROLE: Despite not providing critical mass, the traditional businesses (education and consultancy) continue to underpin the P&L. This allows the company to bear the cost of the wait for the funding and start-up of the omega-3 project which should be the long-term business driver and on which almost all IFFE's market value rests.

MAINTAINING STABLE DEBT (ND: EUR 2.9 MN; -6.5% VS 2019). This is associated mainly with the property development being carried out in the town of Oleiros (La Coruña). In June 2020, an agreement was signed for the long-term restructuring of c. EUR 2.1Mn of the property area's debt (delaying its maturity until the land is classified as building plots). This has allowed IFFE to improve the structure of its balance sheet.

OBTAINING THE NECESSARY FUNDING REMAINS THE BIG UNCERTAINTY... IFFE's omega-3 project is still at the investment stage (percentage completion of the work > 70%; c. 15Mn already invested) and requires a total investment of EUR 7Mn (c. EUR 5Mn to complete the building work and begin operating and a maximum of c. EUR 2Mn to buy back the industrial land and the building in which the IFFE Biotech plant is located). Obtaining funding is an essential pre-requisite for IFFE being able to begin its activity as a manufacturer of omega-3. The financing of the project (amount, term, cost) remains unknown at present.

...SURROUNDING A PROJECT THAT REPRESENTS A GENUINE STEP-UP IN SCALE. Driven by a subsector that in principle looks attractive (healthy food; dietary supplements). Plant utilisation rates of 60% (out of a maximum theoretical capacity of 85%) would allow IFFE to obtain revenues of c. EUR 40Mn, with EBITDA of c. EUR 10Mn (EBITDA margin of 25%). A "theoretical" step-up in scale but a big one although not yet included in our numbers.

IN CONCLUSION: NO BIG SURPRISES. IFFE'S BIG CHALLENGE REMAINS MATERIALISING ITS OMEGA-3 PROJECT. We maintain IFFE's equity story intact, which, in our view, remains strictly financial. Obtaining the necessary funding is an authentic Cape Horn that the company needs to successfully navigate. It is a truism, but the entire horizon which, on paper, would open up with the project on stream depends today on one single factor: obtaining the financing needed to finish building the omega-3 project.

At the date of this report, the combination of debt and equity (and its cost in terms of servicing the debt and dilution) that will finally be taken on remains the big unresolved question and against a macro backdrop that obviously makes access to funding and the start-up of the project more difficult.

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Appendix 1. Results table

EUR Mn	6m20	6m19	6m20 vs	
			6m19	2020e
Total Revenues	0.6	0.5	9.9%	2.0
Recurrent EBITDA	-0.2	-0.2	-15.1%	0.6
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>29.8%</i>
EBITDA	-0.2	-0.1	-115.2%	0.4
<i>EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>20.6%</i>
EBIT	-0.2	-0.1	-103.0%	0.4
PBT¹	0.5	0.2	188.4%	0.3
NP	0.5	0.2	148.5%	0.2
Net Debt	2.9	3.1	-6.5%	2.1

(1) PBT includes an extraordinary revenue of c. EUR 0.9Mn which corresponds to the sale of IFFE Biotech's land and civil engineering work (IFFE holds an option to buy these assets until January 2023 for a maximum amount of c. EUR 2Mn).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	42.5	
+ Minority Interests	0.5	6m Results 2020
+ Provisions & Other L/T Liabilities	0.0	6m Results 2020
+ Net financial debt	2.9	6m Results 2020
- Financial Investments	3.3	6m Results 2020
+/- Others	-	
Enterprise Value (EV)	42.7	

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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.	Initial Coverage	David López Sánchez

