

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)	28.3	34.4
EV (Mn EUR and USD) ⁽¹⁾	28.4	34.6
Shares Outstanding (Mn)	23.0	
-12m (Max/Med/Min EUR)	1.85 / 1.80 / 1.23	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽²⁾	0.6	
Refinitiv / Bloomberg	IFFE.MC / IFF SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

David Carro	58.8
Atlas Holding	9.4
Autocartera	5.5
Free Float	26.3

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-27.6	-33.5	-33.5	n.a.
vs Ibex 35	-28.3	-34.6	-19.0	n.a.
vs Ibex Small Cap Index	-30.9	-41.5	-44.1	n.a.
vs Eurostoxx 50	-29.6	-37.7	-31.7	n.a.
vs Sector benchmark ⁽³⁾	-26.4	-31.8	-24.0	n.a.

(1) Please refer to Appendix 2.

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

(3) vs TR Europe Food Processing.

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

NYSESAs takeover bid for IFFE showcases the Omega-3 project

NYSESA LAUNCHES A TAKEOVER BID FOR 100% OF IFFE at 2.0 euros per share; this implies a valuation of c. EUR 46Mn (+62.6% vs. yesterday's close). The deal will involve an exchange for newly issued shares in NYESA, a company listed on the Spanish continuous trading market.

A DEAL THAT SHOWCASES THE VALUE OF ITS BUSINESS... that, from a strictly market viewpoint, is dominated by the omega-3 project (still at the funding stage). A project that, with utilisation rates of c. 22% (out of a theoretical maximum capacity of 85%) would allow IFFE to obtain revenue of EUR 15,6Mn and EBITDA of EUR 4Mn in year 2 (post funding; see annexe 1). On the bid made by NYESA this would imply a theoretical EV/EBITDA of c. 12x.

...AND THAT COULD HELP RESOLVE ITS BIG UNCERTAINTY: FUNDING. The omega-3 project requires maximum funding of c. EUR 7Mn. The deal proposed by NYESA (listed on the Spanish continuous trading market) would not only increase IFFE's visibility and liquidity (feasible taking into account NYESA's average daily trading volume -12m of c. EUR 0.4Mn), but also improve the company's access to new sources of funding and capital.

IN A SUBSECTOR THAT AT FIRST GLANCE IS ATTRACTIVE: healthy food and dietary supplements. Kerry's takeover bid for Biosearch (20.1x 2022e EV/EBITDA) is an example, although it is not comparable as Biosearch's business is up and running while IFFE's Omega-3 plant has not yet begun operations and its funding has yet to be completed. However, this is another example of investor appetite for these kinds of assets.

IN ADDITION TO UNLOCKING THE VALUE OF IFFE'S PROPERTY BUSINESS. IFFE has a purchase option on various plots of land under development in the municipality of Oleiros (a total of 220,000 m2 of which over 70% is optioned). An additional option that, under the auspices of NYESA (whose traditional activity is centred on property development), could acquire greater importance and provide strategic sense for the deal.

THE BID IS DEPENDENT ON A RECIPROCAL DUE DILIGENCE PROCESS. David Carro, IFFE's controlling shareholder (58.8% of capital), has promised to accept the bid provided, among other requirements, that NYESA passes the due diligence process (with a deadline of 31 March 2021). The bid is also subject to the acceptance of at least 90% of IFFE shareholders.

CLOSER TO FINALISING THE OMEGA-3 PROJECT? In our view, IFFE's equity story is intact and remains strictly financial. Obtaining funding is still an authentic Cape Horn that the company needs to successfully navigate. However, in the eyes of the market, NYESA's takeover bid enhances its business (dominated by the omega-3 project) and this could act as a lever to accelerate access to the funding required to complete the omega-3 plant. Both this transaction and the Kerry Group's recent bid for Biosearch make the start-up of IFFE's Omega-3 project more likely, and, accordingly, take it closer to its theoretical value.

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. IFFE'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>

- (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 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	28.3	
+ 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)	28.4	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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

