Italy – Nutraceutical

A leading CDMO ready to expand globally

23rd November 2020

INITIATION OF COVERAGE

RIC: LBM.MI
BBG: LBM IM

Labomar is a one-stop-shop player providing its clients with a full range of services, from R&D activity to packaging of finished products. It is able to intercept all the heterogeneous needs of its existing and potential clients seeking to outsource their R&D and production departments to a responsible reliable partner. It went public in order to feed and accelerate its international expansion, both organically and via M&A.

Rating:
Buy

Price Target:
€ 8.50

Upside/(Downside): 28.8%

Last Price: € 6.60

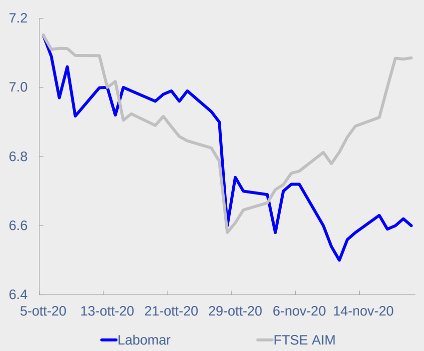
Market Cap.: € 122.2m

1Y High/Low: € 7.78 / € 6.44

Free Float: 17.9%

Major shareholders:

LBM Holding Srl	71.1%
Master Lab	6.3%
Value First	2.7%



Stock price performance

	1M	3M	12M
Absolute	-5.6%	n.a.	n.a.
Rel.to AIM Italia	-9.1%	n.a.	n.a.
Rel.to Sector	-17.2%	n.a.	n.a.

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Buy, PT of € 8.50/s, 28.8% upside

CFO SIM initiates coverage of Labomar with a Buy recommendation and PT of € 8.50/s, 28.8% upside to current price levels. We believe that a DCF model is the most appropriate methodology to get a reasonable valuation, in order to better factor in the medium-long term value of the stock and to avoid to incorporate the increased volatility of the stock market. The DCF model is based on standard settings for a small-cap, including a prudent g=1%, beta=1, WACC=6.6% and a 40/60 debt/equity sustainable balance sheet structure. According to the DCF model, we asses a valuation of Labomar of € 8.50/s.

A leading one-stop-shop CDMO in dietary supplements and medical devices market

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a research-driven full service B2B Contract Development and Manufacturing Organisation (CDMO). It operates in the dietary supplements and medical devices market and provides global big pharma firms with high-grade value-added technological content dietary supplements and medical devices. Labomar aims at being the reference partner for customers looking for innovative and effective products, able to improve people's wellness.

Sales and EBITDA CAGR$_{19\text{-}22}$ of 13.3% and 12.5%

Our estimates show a top line CAGR$_{19\text{-}22}$ of 13.3%, as result of strong foreign revenues growth driven by the North American market, through ImportFab, and certain European countries where Labomar plans to enter thanks to its unique sales network. EBITDA, EBIT and Net Profit CAGR$_{19\text{-}22}$ is 12.5%, 10.0% and 16.0% respectively, as a result of a broadly stable cost structure and increasing D&A on the back of the massive amount of capex expected for 2020-22 (€ 27.0m) aimed at increasing production capacity. Dividend pay-out is set at 30%. On the back of the expected massive investment plan, EBITDA/FCF conversion stands at 15.9% per year on average in 2020-22 and, as a consequence, NFP is projected to remain broadly stable in the same period.

International expansion, M&A and increase of production capacity

The group went public to feed and accelerate its development and growth. The strategy is based on the following pillars: 1) consolidation of the domestic market share thanks to the group's strong R&D effort, the wide ready-to-market product portfolio and the ability to manage several delivery forms; 2) organic geographical expansion: the first target market where Labomar plans to expand is North America, thanks to the ImportFab acquisition; 3) building of the new L6 plant with the aim to enlarge its production capacity and to improve operating efficiency; 4) exploiting synergies with ImportFab, namely cross-selling opportunities and cross-fertilisation; 5) external growth. The IPO proceeds will be used mainly to pursue M&A opportunities.

Labomar, key financials and ratios

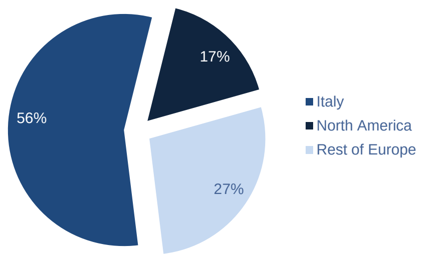
€ m	2019	2019PF	2020e	2021e	2022e
Value of Production	49.1	57.4	62.0	72.7	83.4
EBITDA Adjusted	9.7	12.2	12.5	14.8	17.3
EBIT Adjusted	6.4	8.3	8.3	9.8	11.1
Net Profit Adjusted	4.6	5.7	5.8	6.9	7.8
NFP (cash)/debt	28.7	28.7	2.5	1.3	2.5
EBITDA adj. margin	19.7%	21.2%	20.2%	20.4%	20.8%
EBIT adj. margin	13.0%	14.5%	13.4%	13.5%	13.3%
EPS	-	-	0.25	0.39	0.42
EPS growth	-	-	-	*56.9%*	*7.6%*
Dividend	-	-	0.08	0.12	0.13
Dividend Yield	-	-	1.1%	1.8%	1.9%
ROCE	12.4%	15.9%	8.9%	12.7%	12.6%
NWC/Sales	14.0%	12.0%	11.9%	12.7%	12.7%
Free Cash Flow Yield	-	-	2.3%	2.1%	0.8%
PER x	-	-	21.1	17.7	15.6
EV/Sales x	-	-	2.01	1.70	1.50
EV/EBITDA x	-	-	10.0	8.3	7.2
EV/EBIT x	-	-	15.0	12.6	11.3

The Company at a Glance

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a research-driven full service B2B Contract Development and Manufacturing Organisation (CDMO). It operates in the dietary supplements and medical devices market and provides global big pharma firms with high-grade value-added technological content dietary supplements and medical devices. Labomar aims at being the reference partner for customers looking for innovative and effective products, able to improve people's wellness. Today Labomar operates three specialised manufacturing plants and one R&D facility in Istrana (TV), located in hard-working, creative north eastern Italy, as well as a manufacturing plant in Canada stemming from the ImportFab acquisition. The company reported 13.7% organic sales $CAGR_{14-19}$ mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma corporations. Including M&A, top line showed a 17.9% CAGR in the same period, resulting in a wider product portfolio and access to new countries.

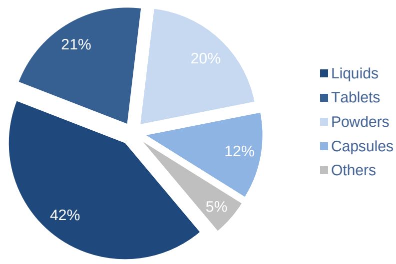
In 2019, pro-forma figures showed total revenues of € 57.4m, adjusted EBITDA of € 12.2m, 21.2% margin and adjusted Net Profit equal to € 5.7m (9.9% margin). Net Financial Position was € 28.7m, corresponding to 2.4x NFP/EBITDA adj. Considering Labomar stand alone, EBITDA/FCF conversion was amazing: 73%, 82% and 80% in 2017-18-19 respectively.

2019 Revenues breakdown by geography*…



*including ImportFab

… and by pharmaceutical form**



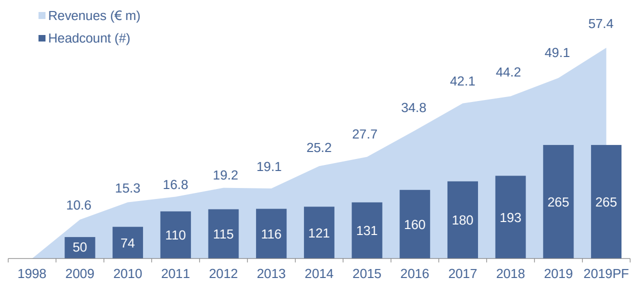
**Labomar stand alone

Shareholder structure

Outstanding shares	%	# m
LBM Holding Srl	71.1%	13.15
Master Lab	6.3%	1.17
Value First	2.7%	0.50
Fidim Srl	1.5%	0.27
Claudio De Nadai	0.3%	0.05
Michele Perissinotto	0.1%	0.02
Giuseppe Milan	0.1%	0.01
Free Float	17.9%	3.32
Total	**100.0%**	**18.48**

Source: Company data

Top line and headcount evolution



Peer group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Biosearch SA	2.84	2.56	22.9	16.8	53.4	26.3	55.4	32.3
Catalent Inc	5.10	4.53	20.6	17.7	27.3	24.2	36.8	31.5
Clover Corporation Ltd	4.11	2.90	24.6	15.7	25.9	16.3	34.7	22.7
Fine Foods & Pharmaceuticals NTM SpA	0.90	n.a.	6.9	n.a.	15.1	n.a.	21.8	17.3
Jubilant Life Sciences Ltd	1.43	1.22	7.2	5.8	9.8	7.9	12.9	10.0
Lonza Group AG	7.43	6.85	26.9	23.8	36.7	31.9	42.9	37.5
Probi AB	5.99	5.44	20.5	18.4	32.0	28.3	44.8	39.1
Recipharm AB (publ)	1.86	1.70	10.3	8.8	28.8	20.0	54.4	24.1
Siegfried Holding AG	3.73	3.16	22.1	17.9	35.1	27.2	41.5	30.7
Median CDMO	**3.73**	**3.03**	**20.6**	**17.3**	**28.8**	**25.3**	**41.5**	**30.7**
Biesse SpA	0.85	0.75	10.8	7.5	30.1	15.6	52.0	22.8
Eurotech SpA	1.92	1.34	21.6	7.9	51.5	10.3	90.4	12.5
Freni Brembo SpA	1.91	1.64	10.9	8.6	23.0	16.1	33.2	21.1
Guala Closures SpA	1.47	1.31	8.0	6.9	16.2	12.8	48.9	20.4
Interpump Group SpA	3.38	2.98	15.3	13.1	22.0	17.9	29.7	24.0
Lu-Ve SpA	1.13	1.01	10.4	8.0	26.3	15.4	25.0	15.3
Prima Industrie SpA	0.81	0.63	11.4	6.7	185.8	15.5	n.m.	16.4
Median Domestic B2B	**1.47**	**1.31**	**10.9**	**7.9**	**26.3**	**15.5**	**41.1**	**20.4**
Labomar SpA	**2.01**	**1.70**	**10.0**	**8.3**	**15.0**	**12.6**	**21.1**	**17.7**

Source: CFO Sim, Thomson Reuters Eikon

Income statement (€ m)	2019	2019PF	2020e	2021e	2022e
Revenues	48.3	56.6	61.2	71.2	82.2
Value of Production	49.1	57.4	62.0	72.7	83.4
Raw material and processing	(22.4)	(24.3)	(26.4)	(30.6)	(35.4)
Services	(7.3)	(9.0)	(9.0)	(10.4)	(12.0)
Personnel expenses	(10.1)	(12.5)	(14.0)	(16.1)	(18.3)
Other opex	(0.2)	(0.2)	(1.8)	(0.2)	(0.3)
EBITDA	9.1	11.3	10.9	15.3	17.3
D&A	(3.3)	(3.9)	(4.2)	(5.0)	(6.3)
EBIT	5.8	7.4	6.7	10.3	11.1
Financials	(0.2)	(0.6)	(0.4)	(0.4)	(0.4)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Forex gain/(loss)	(0.1)	(0.2)	0.0	0.0	0.0
Pre-Tax profit	5.6	6.7	6.3	9.9	10.7
Income taxes	(1.4)	(1.7)	(1.7)	(2.6)	(2.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	4.1	5.0	4.6	7.3	7.8
EBITDA Adjusted	9.7	12.2	12.5	14.8	17.3
EBIT Adjusted	6.4	8.3	8.3	9.8	11.1
Net Profit Adjusted	4.6	5.7	5.8	6.9	7.8

Balance sheet (€ m)	2019	2019PF	2020e	2021e	2022e
Net Working Capital	6.9	6.9	7.4	9.3	10.6
Net Fixed Assets	33.9	33.9	35.7	39.2	45.4
Equity Investments	1.4	1.4	1.4	1.4	1.4
Other M/L Term A/L	(3.5)	(3.5)	(3.9)	(4.6)	(5.3)
Net Invested Capital	38.6	38.6	40.5	45.2	52.0
Net Financial Debt	28.7	28.7	2.5	1.3	2.5
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	9.9	9.9	37.9	43.8	49.5
Financial Liabilities & Equity	38.6	38.6	40.5	45.2	52.0

Cash Flow statement (€ m)	2019	2019PF	2020e	2021e	2022e
Total net income	4.1	-	4.6	7.3	7.8
Depreciation	3.3	-	4.2	5.0	6.3
Other non-cash charges	0.2	-	0.4	0.7	0.7
Cash Flow from Oper. (CFO)	7.6	-	9.2	13.0	14.8
Change in NWC	(1.6)	-	(0.5)	(1.9)	(1.3)
FCF from Operations (FCFO)	6.0	-	8.8	11.1	13.5
Net Investments (CFI)	(23.6)	-	(6.0)	(8.5)	(12.5)
Free CF to the Firm (FCFF)	(17.5)	-	2.8	2.6	1.0
CF from financials (CFF)	24.2	-	23.4	(1.4)	(2.2)
Free Cash Flow to Equity (FCFE)	6.7	-	26.2	1.2	(1.2)

Financial ratios	2019	2019PF	2020e	2021e	2022e
EBITDA adj. margin	19.7%	21.2%	20.2%	20.4%	20.8%
EBIT adj. margin	13.0%	14.5%	13.4%	13.5%	13.3%
Net profit adj. margin	9.3%	9.9%	9.3%	9.5%	9.4%
Tax rate	25.5%	25.6%	26.5%	26.5%	26.5%
Op NWC/Sales	14.0%	12.0%	11.9%	12.7%	12.7%
Interest coverage x	24.24	13.10	16.17	24.80	26.60
Net Debt/EBITDA x	3.15	2.54	0.23	0.09	0.15
Debt-to-Equity x	2.90	2.90	0.07	0.03	0.05
ROIC	10.7%	13.0%	11.5%	16.1%	15.0%
ROCE	12.4%	15.9%	8.9%	12.7%	12.6%
ROACE	16.5%	-	11.0%	13.2%	13.1%
ROE	41.9%	50.7%	12.2%	16.6%	15.8%
Payout ratio	-	-	30.0%	30.0%	30.0%

Per share figures	2019	2019PF	2020e	2021e	2022e
Number of shares # m	-	-	18.48	18.48	18.48
Number of shares Fully Diluted # m	-	-	18.48	18.48	18.48
Average Number of shares Fully Diluted # m	-	-	18.48	18.48	18.48
EPS stated FD €	-	-	0.25	0.39	0.42
EPS adjusted FD €	-	-	0.31	0.37	0.42
EBITDA €	-	-	0.59	0.83	0.94
EBIT €	-	-	0.36	0.56	0.60
BV €	-	-	2.05	2.37	2.68
FCFO €	-	-	0.47	0.60	0.73
FCFF €	-	-	0.15	0.14	0.05
FCFE €	-	-	1.41	0.06	(0.06)
Dividend €	-	-	0.08	0.12	0.13

1. Investment Summary

Labomar is a **leading one-stop-shop CDMO (Contract Development and Manufacturing Organisation)** operating in the **dietary supplements and medical devices market** and serving global big pharma firms. The company provides its clients with a full range of services from R&D activity to packaging of finished products. The group is able to run **tailor-made solutions based on proprietary patents** across a wide range of therapeutic areas via several kinds of dosage forms. Due to its strong R&D effort, its distinctive selling proposition and its proactive go-to-market strategy, Labomar is able to **intercept all the heterogeneous needs of its existing and potential clients**, reducing time-to-market, increasing the share of wallet and cementing trust-based relationships with customers.

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a **research-driven full service B2B CDMO**. It aims at being the **reference partner for customers looking for innovative and effective products, able to improve people's wellness**. The company reported a **13.7% organic sales CAGR$_{14-19}$** mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma firms. **Including M&A, top line showed a 17.9% CAGR$_{14-19}$**.

The group went public to feed and accelerate its development and growth. The strategy is based on the following pillars: 1) **consolidation of the domestic market share** thanks to the group's strong R&D effort, the wide ready-to-market product portfolio and the ability to manage several delivery forms; 2) **organic geographical expansion**: the first target market where Labomar plans to expand is North America, thanks to the ImportFab acquisition; 3) building of the **new L6 plant** with the aim to enlarge its production capacity and improve its operating efficiency; 4) **exploiting synergies with ImportFab**, namely cross-selling opportunities and cross-fertilisation; 5) **external growth.** The IPO proceeds will be used mainly to pursue M&A opportunities.

Our estimates show a top line CAGR$_{19-22}$ of 13.3%, as result of strong foreign revenues growth driven by the North American market, through ImportFab, and certain European countries where Labomar plans to enter thanks to its unique sales network. **EBITDA, EBIT and Net Profit CAGR$_{19-22}$ is 12.5%, 10.0% and 16.0% respectively**, as a result of a broadly stable cost structure and increasing D&A on the back of the massive amount of capex expected for 2020-22 (€ 27.0m) aimed at increasing production capacity. **Dividend pay-out is set at 30%.** On the back of the expected massive investment plan, **EBITDA/FCF conversion stands at 15.9% per year** on average in 2020-22 and, as a consequence, NFP is projected to remain broadly stable in the same period.

CFO SIM initiates coverage of Labomar with a Buy recommendation and PT of € 8.50/s, 28.8% upside to current price levels. We believe that a DCF model is the most appropriate methodology to get a reasonable valuation, in order to better factor in the medium-long term value of the stock and to avoid to incorporate the increased volatility of the stock market. The DCF model is based on standard settings for a small-cap, including a prudent g=1%, beta=1, WACC=6.6% and a 40/60 debt/equity sustainable balance sheet structure. According to the DCF model, we asses a valuation of Labomar of € 8.50/s.

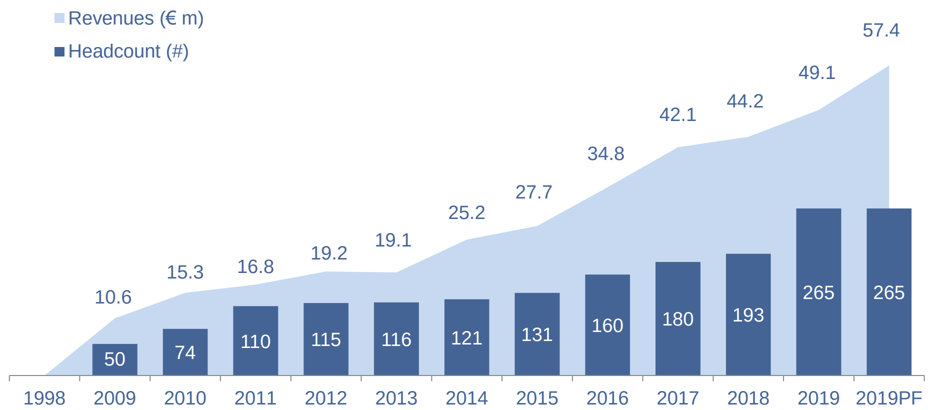
The key investment **risks** in Labomar include: 1) a limited M&A track record; 2) the increasing regulation or change in the regulatory framework; 3) the ability to manage the investments and to find the sources to support growth; 4) the impact on economics and balance sheet profile triggered by a deep decline in global economic growth or geopolitical instability; 5) the reference market consolidation process possibly putting the company's market share under pressure; 6) the M&A execution possibly being hampered by potential consolidating actors in the industry with huge firepower (i.e. PE funds).

2. Labomar in a Nutshell

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a **research-driven full service B2B Contract Development and Manufacturing Organisation (CDMO)**. It operates in the **dietary supplements and medical devices market** and provides global big pharma firms with high-grade value-added technological content dietary supplements and medical devices. Labomar aims at being the **reference partner for customers looking for innovative and effective products, able to improve people's wellness**.

Today Labomar operates **three specialised manufacturing plants** and **one R&D facility in Istrana** (TV), located in hard-working, creative north eastern Italy, as well as **a manufacturing plant in Canada** stemming from the ImportFab acquisition. The company reported a **13.7% organic sales CAGR$_{14-19}$** mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma corporations. **Including M&A, top line showed a 17.9% CAGR** in the same period, resulting in a wider product portfolio and access to new countries.

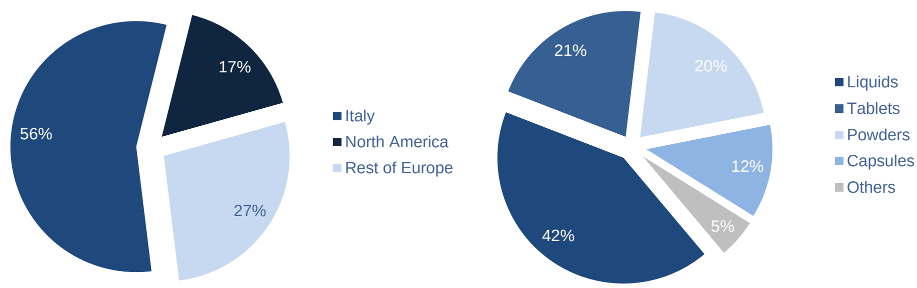
Chart 1 – Labomar, 2009-19 top line and headcount evolution



Source: CFO SIM elaboration on AIDA and Company data

After the acquisition of ImportFab, **the group's global export sales account for 44%** of total. In terms of dosage form, 42% of Labomar turnover comes from liquids, 21% from tablets, 20% from powders, 12% from capsules and the remaining 5% from other dosage forms. Moreover, **34% of revenues derive from proprietary patents, patents applications and know-how:** the group has **17 proprietary patents families** (two of which are jointly-owned with third party).

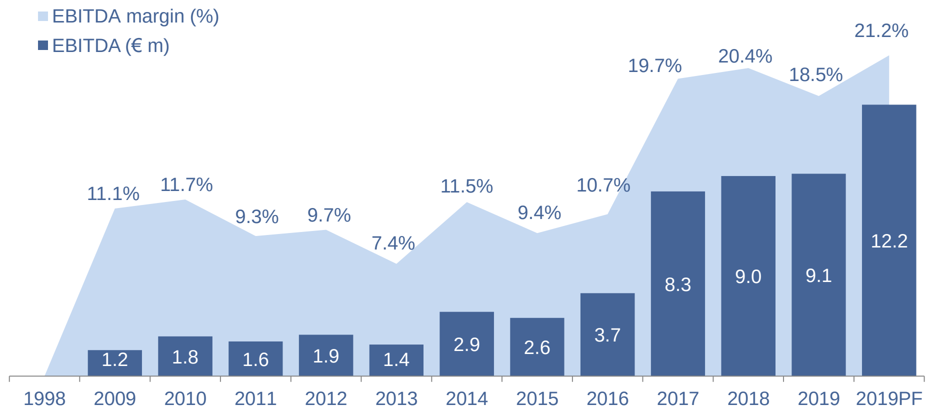
Chart 2 – Labomar, 2019 top line breakdown by geography* and dosage form**



*Source: Company data   *including ImportFab   ** Labomar stand alone*

FY-19PF figures show **total revenues of € 57.4m**, **adjusted EBITDA of € 12.2m**, **21.2% margin** and adjusted Net Profit equal to € 5.7m (9.9% margin). **Net Financial Position was € 28.7m**, corresponding to 2.4x NFP/EBITDA adj. Considering Labomar stand alone, **EBITDA/FCF conversion was amazing**: 73%, 82% and 80% in 2017-18-19, respectively.

Chart 3 – Labomar, 2009-19 EBITDA and EBITDA margin evolution

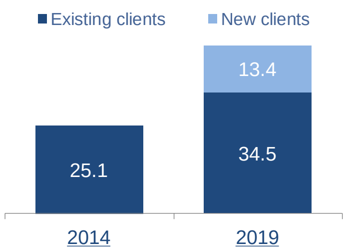


Source: CFO SIM elaboration on AIDA and Company data

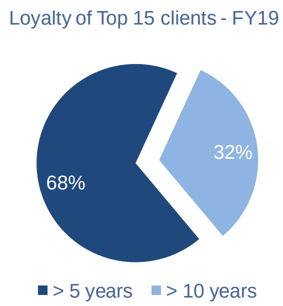
Labomar provides its clients with a **full range of services from R&D activity to packaging of finished products**. The group selling proposition includes dietary supplements, medical devices and other segments, namely food for special medical purposes, functional food, functional cosmetics and, through ImportFab, pharmaceutical products. Noteworthy, the group is able to run **tailor-made solutions based on proprietary patents, patents applications and know-how across a wide range of therapeutic areas** (gastro-intestinal, respiratory, cardiovascular, nervous, genitourinary and antioxidant) **via several kinds of dosage forms** (tablet, capsule, liquid, powder and semi-solid).

The group has an **extremely high-quality and well-balanced client portfolio**, composed of about 200 customers, among which big pharma players, nutraceutical companies and functional cosmetics players. The **top 5 clients represent 25% of 2019 consolidated pro forma revenues**, while the top 15 account for 48%. Since 2014, Labomar has been increasing the **share of wallet** with its customers, reaching on average **€ 305k per client in 2019** (+54% over the last 5 years). As of today, the group provides its clients with **more than 1,500 different Stock Keeping Units (SKUs)** per year, with **€ 50k revenues per SKU on average**.

Chart 4 – Labomar, client analysis for Labomar stand alone



	2014	2019
Revenues per client €k	198	305
Revenues per SKU €k	30	50



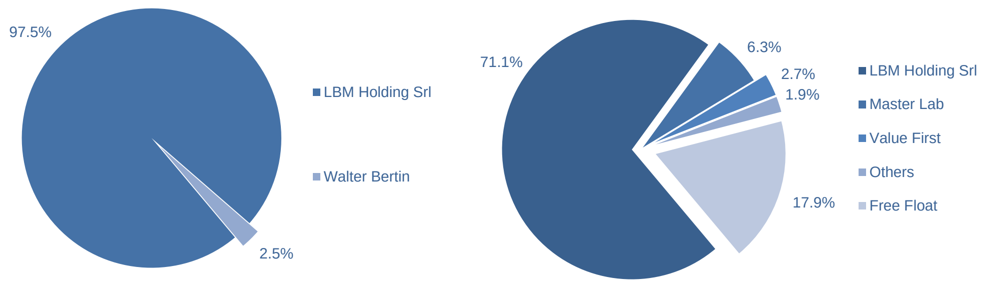
Source: Company data

Labomar has a unique salesforce compared to other CDMOs. As of today, it comprises **12 Business Development Managers – BDMs**, namely professional figures with high seniority and a good relationship network in the pharmaceutical sector. Each BDM has a portfolio of about 20 clients and works closely with a team leader, which is a Labomar employee and reports directly to the head of sales. Furthermore, the group has a **distinctive selling proposition** compared to other CDMOs: thanks to a **catalogue of several ready-to-market products** (about 100 SKUs), Labomar is able to **intercept all the heterogeneous needs of its existing and potential clients**, reducing time-to-market, increasing the share of wallet and cementing trust-based relationships with customers.

3. IPO Structure

The IPO encompassed a **primary offering for a total amount of € 26.0m.** Moreover, an overallotment **green-shoe option was provided by the controlling shareholder LBM Holding Srl for a total amount of € 3.9m and it was entirely exercised** by the global coordinator on 14th October. Pre-IPO Labomar was fully owned by Walter Bertin, 97.5% through LBM Holding Srl and 2.5% directly.

Chart 5 – Labomar, pre- and post-IPO shareholder structure (after green-shoe exercise)



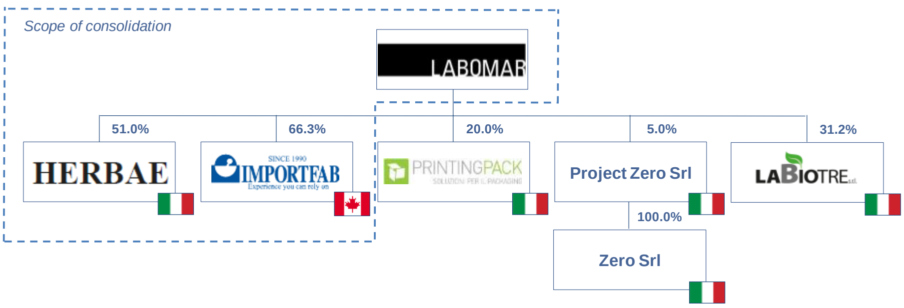
Source: Company data

Labomar went public on AIM Italia on 5-Oct-20 with a **market capitalisation of € 110.9m and a free float of 14.4%, raised to 17.9% after the exercise of the green-shoe option.** Pre-IPO shareholders have an 18-month lock-up.

Two anchor investors subscribed the primary offering for a total amount of € 10.0m as a result of two different investment agreements signed before the IPO. In detail, Master Lab and Value First invested € 7.0m and € 3.0m respectively. Both of them have a non-executive director on Labomar's BoD and a 12-month lock-up.

Furthermore, before the company listing, Walter Bertin sold his 2.5% stake at the IPO price to selected parties, namely Fidim Srl (1.90%), Claudio De Nadai (0.35%), Michele Perissinotto (0.15%) and Giuseppe Milan (0.10%).

Chart 6 – Labomar, group and equity investment structure



Source: CFO SIM elaboration on Company data

The scope of consolidation includes Labomar SpA, ImportFab Inc. and Herbae Srl.

- **Labomar SpA**, the Issuer, is a leading CDMO operating worldwide.
- **ImportFab Inc.** is a CMO based in Canada specialising in pharmaceuticals, nutraceuticals and cosmetics. The firm is a recently Canadian incorporated company which acquired assets from a local CMO (now Canada Inc.) in Nov-19.
- **Herbae Srl** was established in 2019 and is not yet operative. The company is involved in the production and B2B sale of finished raw materials produced from biomass grown in vertical farms developed using Zero Srl's technology. Furthermore, the firm distributes Zero's production modules.

In addition, Labomar has equity investments in:

- **LaBiotre Srl**, a supplier of herbal extracts, namely raw materials used by Labomar to manufacture several groups of products.
- **Project Zero Srl, which holds 100% of Zero Srl**, a company developing vertical farming techniques for the crop of plants for vegetable and herbal extracts.
- **Printing Pack Srl**, a supplier of packaging materials.

The Board of Directors is composed of 6 members, one of whom is an independent director.

Chart 7 – Labomar, Board of Directors

Name	Role	
Walter Bertin	Chairman & CEO	Executive
Gasparato Sabrina	Vice Chairman	Non Executive
Claudio De Nadai	Director	Executive
Lorenzo Zambon	Director	Non Executive
Renzo Torchiani	Director	Non Executive
Alberto Baban	Director	Indipendent

Source: Company data

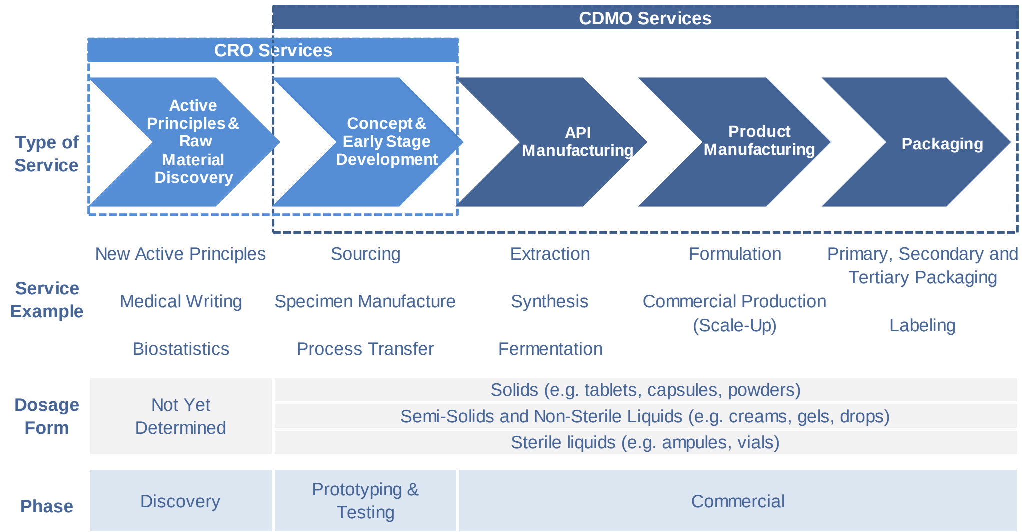
Labomar has a **structured management team** composed by several key relevant people:

- **Walter Bertin** is the **founder** of Labomar and today serves as **Chairman and CEO** of the group. He graduated in Pharmaceutical Science at University of Padua and obtained a master's degree in Lean Management. Furthermore, he was part of Federfarma's council from 1989 to 1992 as well as President of Farmarca until 2004 and member of Federsalus board from 2011 to 2018. He has also been a board member of Unindustria Treviso since 2012.
- **Claudio De Nadai** is a **board member and Investor Relator** of Labomar. He has been sitting on Labomar's BoD since 2018, after working for the group as an external financial strategy consultant since 2007. He is also on the BoD of the new-co ImportFab and supervises the administration, finance and management control departments. After 13 years as CFO and General Manager at an Italian SME and a past entrepreneurial experience in the agri-food industry, in 2017 he founded BModel, a financial boutique providing SMEs with corporate finance, M&A and private equity activities.
- **Davide Munaretto** has been **CFO** of Labomar since 2012. He graduated in Economics and Finance at Venice Ca' Foscari University. He gained relevant experience in planning & control and finance & administration first at Unicredit Leasing SpA and then at Gruppo Industrie Maurizio Peruzzo.
- **Ruggero Martignoni** has been **COO** of Labomar since 2014. He graduated in Chemistry and Pharmaceutical Technology at University of Florence. Before joining Labomar he gathered more than 10-years' experience in the food supplement and pharmaceutical industries covering several managerial roles for Zambon SpA. He is now Head of Corporate Operations and supervises the regulatory, supply chain, production, logistics, IT and technology divisions.
- **Francesco Da Riva** is **Head of Sales** at Labomar. He graduated in Political Science at University of Padua and achieved a master's degree in Management, Accounting & Control at Bocconi University. Before joining Labomar in 2011, he gained experience as a senior consultant in the strategic business planning field.

4. The Reference Market: CDMO

The ***Contract Development and Manufacturing Organisation*** industry started out decades ago as a niche service, offering additional manufacturing capacity and specialty services to pharmaceutical companies. The rise of CDMOs was fuelled by failure stories in the pharmaceutical industry. In the past, pharmaceutical companies often installed dedicated manufacturing capacities for developing innovative products, only to see them fail during the last phases of clinical research trials. Thus, the additional manufacturing capacity for those specific products was no longer needed. To reduce the risk of expensive overcapacities, the demand for outsourced manufacturing has been rising continually.

Chart 8 – Labomar, overview of CRO and CDMO services

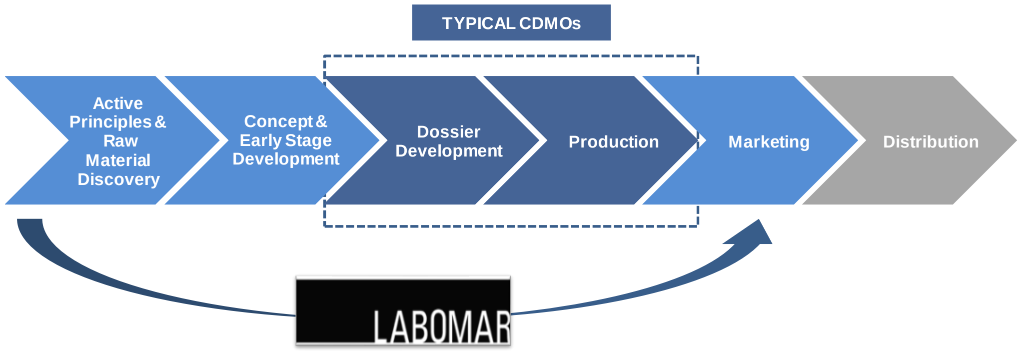


Source: PwC, Current trend and strategic options in the pharma CDMO market

CROs, CMOs and CDMOs offer outsourcing services for research, development and manufacturing. In particular:

- **Contract Research Organisations – CROs** support pharmaceutical companies in their drug discovery and clinical research effort. The typical services include patient and site recruitment, clinical monitoring, analytics, biostatistics, medical writing and regulatory affairs consulting.
- **Contract Development and Manufacturing Organisations – CDMOs** take care of the product development and manufacturing activities of pharmaceutical companies. In addition, they provide a wide range of ancillary services such as final packaging, clinical logistics & distribution and regulatory support.
- **Contract Manufacturing Organisations – CMOs** are similar to CDMOs but they only take care of the manufacturing phases, not being involved in research and development activities. Traditional CMO services focus on their core competencies in bulk manufacturing and formulation.

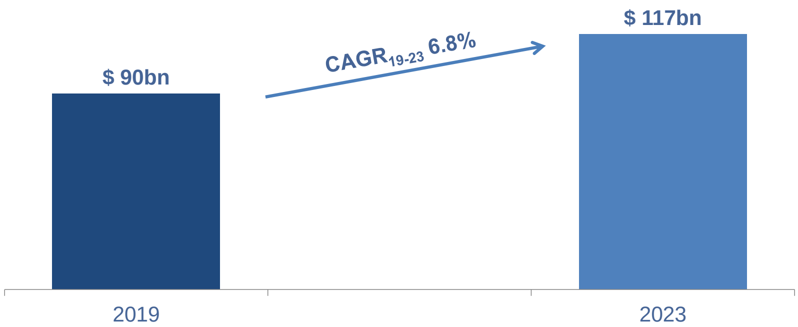
Chart 9 – Labomar, one-stop-shop CDMO



Source: Company presentation

The leading CDMOs, as well as Labomar as part of them, are clearly committed to broaden the service offering in consistency with the one-stop-shop model, becoming **fully integrated players offering its clients services across the entire product life-cycle**, from discovery to packaging, as well as across all key geographies. **One-stop-shop CDMOs** differentiate themselves through the convenience and complexity reduction that they offer to their customers: the notion is to offer a multitude of services to a customer, who should benefit from the convenience and time and cost efficiency of dealing with a single provider. Furthermore, through a one-stop-shop model, CDMOs are able to increase the addressable market size and to improve the opportunities to gain a larger share of client spend (i.e. increase its share of wallet).

Chart 10 – Global outsourced manufacturing market – CDMO sector



Source: Results Healthcare, Outsourced Pharmaceutical Manufacturing 2020 (Nov-19 Pre-COVID19)

The **global outsourced manufacturing market** (CDMO sector) is anticipated to reach **$ 90bn in 2019** and to grow until **$ 117bn in 2023,** showing a 6.8% $CAGR_{19\text{-}23}$ and outpacing growth in the underlying pharmaceutical market (4.9% CAGR in the same period, according to the Results Healthcare report "*Outsourced Pharmaceutical Manufacturing 2020*"). Consequently, penetration of the CDMO sector is set to increase from 26% in 2019 to 28% in 2023, driven by the increasing incidence of drug development and manufacturing outsourcing by pharma and biotech companies.

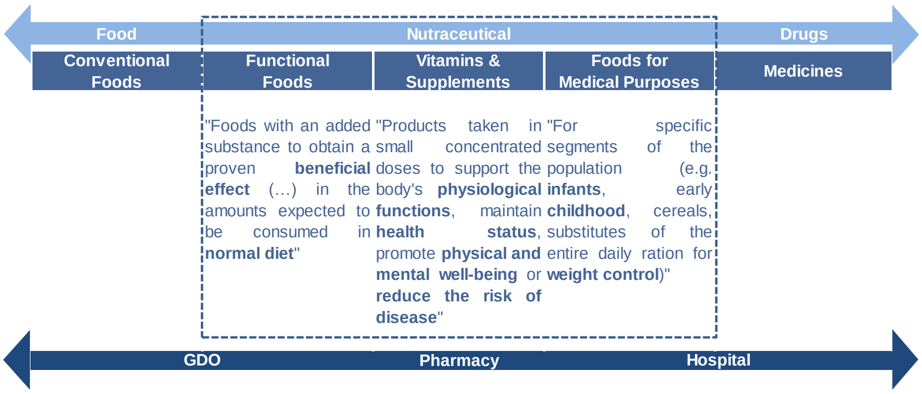
The Asia Pacific region, namely China and India, continues to be the leading growth market in the CDMO industry due to considerably lower manufacturing costs than in North America and Europe and favourable regulations. While **China and India have established themselves as a major suppliers of active principles manufacturing services**, the **US remains the primary hub for research and development outsourcing.** This is mainly due to the large amounts of available funding as well as the unique concentration of university-affiliated pharmaceutical research clusters. In addition, issues related to quality, logistics, regulations and intellectual property rights make developing countries unattractive for products development outsourcing.

4.1. Global Vitamins & Dietary Supplements

Labomar is a leading one-stop-shop CDMO operating mainly in the dietary supplements and medical devices segments. This segment of the market is also called nutraceutical and includes functional foods, vitamins & supplements and foods for medical purposes. Nutraceutical products are used both for healthcare treatment and prevention purposes:

- ✓ **Healthcare treatment**: menopause, bones and joints, circulation, cholesterol, ophthalmology, urinary system, pregnancy.
- ✓ **Prevention:** immunity defence, stress, cough and cold, energy and vitality, sleep.

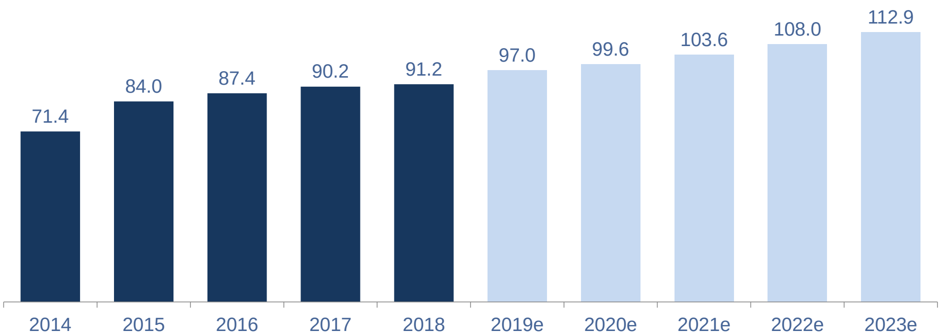
Chart 11 – Labomar, nutraceutical segment



Source: Company presentation

A dietary supplement can be defined as any vitamin, mineral, fibre, botanical or herbal product that is added to the diet to improve human health. The **global vitamins & dietary supplements** market reached **€ 91.2bn in 2018** (6.3% $CAGR_{14-18}$) and **is anticipated to grow with a 4.4% $CAGR_{18-23}$ totalling € 112.9bn in 2023.**

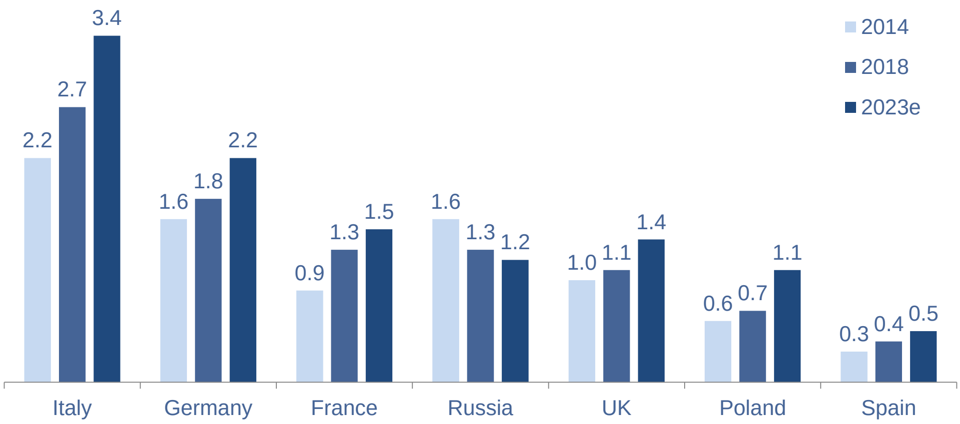
Chart 12 – Global vitamins & dietary supplements market trend - € bn



Source: PwC Report "Vitamins & Dietary Supplements Market Overview" July 2020

In 2018, the US market accounted for € 24.8bn while Europe totalled € 13.5bn. Within European countries **Italy was worth € 2.7bn**, followed by Germany (€ 1.8bn), France (€ 1.3bn), Russia (€ 1.3bn), UK (€ 1.1bn), Poland (€ 0.7bn) and Spain (€ 0.4bn). The **Italian market is anticipated to grow with a $CAGR_{18-23}$ of 4.3%**, reaching € 3.4bn in 2023. The highest growth rate for the 2018-23 period is expected in Poland (8.1% $CAGR_{18-23}$), followed by UK (4.8%), Italy (4.3%) and Spain (4.0%).

Chart 13 – Global vitamins & dietary supplements market by region - € bn



Source: PwC Report "Vitamins & Dietary Supplements Market Overview" July 2020

4.2. Market Trends

The massive development of the CDMO market can not only be ascribed to the increasing need for pharmaceuticals due to the growing global population, better insurance coverage in developing countries and ageing societies in industrialised countries; it is also a result of the greater willingness to outsource among pharmaceutical companies, which have increasingly been outsourcing services in order to decrease time to market, save costs, reduce complexity and reallocate internal resources.

Chart 14 – Labomar, opportunities and risks in the current CDMO market

Opportunities	Risks
1) Increasing pharmaceutical outsourcing 2) Co-Investments 3) Technological advancements 4) New operational techniques 5) Increasing number of small and medium sized pharmaceutical companies 6) Higher company values 7) Higher profitability in a more consolidated market	1) Strong competition on costs, technology and service range 2) Lack of skilled labour 3) Outsourcing of low-volume and complex drugs 4) Reliance on a small number of customers 5) Governmental healthcare costs containment measures 6) increasing regulation

Source: PwC, Current trend and strategic options in the pharma CDMO market

The **increasing outsourcing trend** among pharmaceutical companies unquestionably represents a **favourable opportunity for CDMOs**, which have to establish themselves as vital partners of pharmaceutical and biotech companies. One of the main goals for CDMOs is to build **strategic partnerships with their customers**, which can even lead to co-investments for developing innovative specialised technologies, discovering new active principles or building strategic manufacturing facilities.

Being a vital partner for their own customers means that CDMOs have to broaden their product and service offers consistently with the **one-stop-shop model**. In fact, **big pharma companies are looking to consolidate their supplier base**, choosing partners which are able to offer services across the entire product life-cycle, from discovering to packaging. Dealing with a single provider has definitely multiple advantages: i) limiting costs, ii) reducing risks linked to technology transfer and iii) saving time.

In order to establish themselves as one-stop-shop players, CDMOs have two options:

- **Vertical integration** by offering new services for existing dosage forms. This is typical of former CMOs, which enlarge their service portfolio offering development activities, characterised by higher margins, in addition to manufacturing. CDMOs can further extend their range of services by offering packaging of finished products or through backward integration into the CRO space.
- **Horizontal integration** by offering existing services for new dosage forms. This kind of integration tends to be unquestionably risky and expensive, as expanding into a new dosage form involves high entry barriers, namely high upfront costs, lack of expertise, lack of reputation and difficulties finding qualified employees. In addition, a horizontal integration opportunity might even be that of expanding in new geographical areas, leveraging on the existing sales network.

All in all, the **CDMO sector is facing a consolidation process**, mainly on the back of big pharma companies' trend to simplify their supply chain and to work with fewer manufacturing partners. Over the past five years, the M&A activity within the sector has been strong with around 40 to 60 transactions per annum, although it is still lower than in the CRO sector in terms of number of transactions and consolidation of the market share. The consolidation process has been driven by large public CDMOs, such as Recipharm (11 acquisitions), Catalent (8 acquisitions) and AMRI (7 acquisitions) (source Results Healthcare Nov-19). On the other hand, private equity funds have also been highly active in the sector over the past five years and might play an increasing role in sector consolidation in the future.

4.3. Competitive Arena

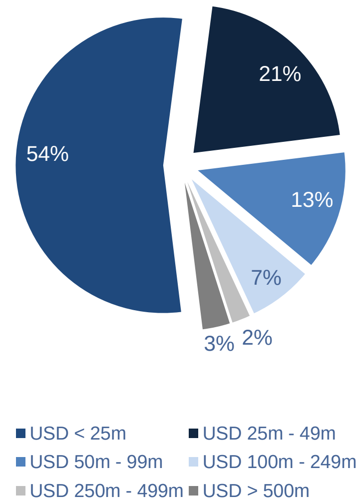
The CDMO sector is characterised by **great fragmentation**, with over 1,000 firms worldwide as either pure CDMOs or companies with some CDMO services or capabilities. The **top 10 players hold less than 20% of the total market share** and there are approximately 20 CDMOs generating in excess of $ 500m revenues (source Results Healthcare, Nov-19). Furthermore, **3/4 of the CDMO global market is composed of companies generating less $ 50m in annual revenues.** However, there have been strong M&A activities in the sector in recent years. To strengthen their competitiveness, CDMOs are thus choosing to merge, either to extend their range of services for existing dosage forms or to enter the market for new dosage forms. The CDMO industry is expected to remain a very attractive sector for the M&A activity in the future.

Chart 15 – Labomar, CDMO global competitive arena

Top 10 CDMOs worldwide by FY-18 sales

Player	FY-18 sales ($ m)	HQ	Ownership
Lonza	5,901	Switzerland	Public
Catalent	2,463	USA	Public
Patheon	2,000	Netherlands	Subsidiary of public company
Fareva	1,600	France	Private
Jubilant LS	1,217	India	Public
Aenova	960	Germany	Private (PE backed)
Siegfried	810	Switzerland	Public
AMRI	750	USA	Private (PE backed)
Recipharm	709	Sweden	Public
FIS	660	Italy	Private

Source: Results Healthcare, Nov-19



Source: PwC

Among Italian CDMOs, **Labomar is unquestionably well-positioned to exploit the consolidation trend of the sector.** Furthermore, the group is able to offer its customers a wide portfolio of products and services, being a **one-stop-shop CDMO**. Labomar's products portfolio is broader than its competitors' and includes food supplements, medical devices, food for special medical purposes, functional foods and functional cosmetics.

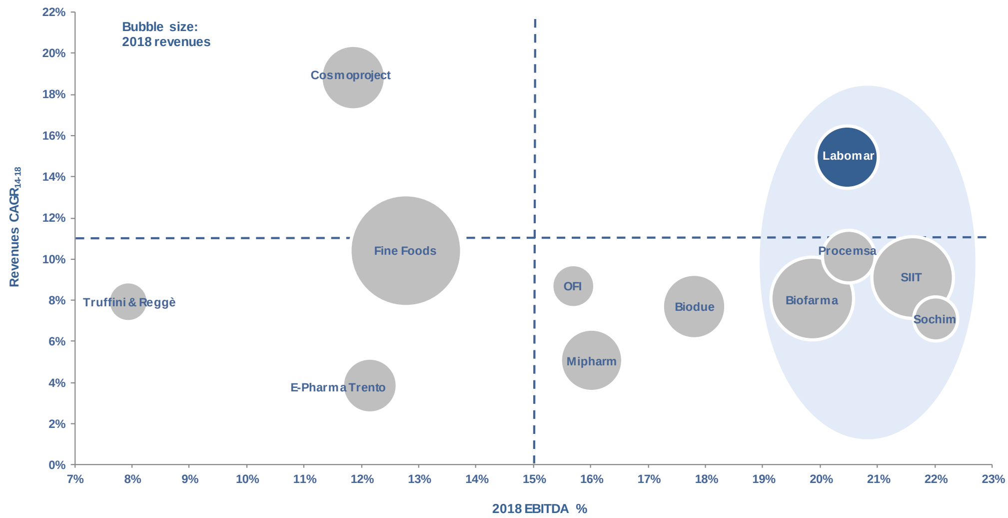
Chart 16 – Labomar, CDMO competitive arena in Italy

Player	Description	Food supplements	Medical devices	Food for special medical purposes	Cosmetics	Functional foods
LABOMAR	Founded in 1998, Labomar has important pharmaceutical companies in its client portfolio	●	●	●	●	●
biofarma	Company with 30 years of history that formulates, produces and packages products for third parties, with a specialisation on probiotics. Recently merged with Nutrilinea, in turn consolidating already Pharcoterm, Apharm and Claire	●	●	●	●	●
	Founded in 1951, SIIT focuses on the packaging of pharmaceutical products, production and R&D	●	●			
	Italian listed CDMO, with a focus on nutraceuticals, medical devices and pharmaceutical products	●	●			
BioDue S.p.A.	Biodue produces and markets dermo cosmetic products and food supplements since 1986	●	●		●	
Farmaceutici Procemsa	The company offers formulation services, product analysis, design and industrialization; founded in 1939	●	●		●	
SOCHIM	Sochim is an international company that deals with scientific support and CMO with customized packaging solutions	●	●		●	
Truffini & Reggè	Founded in 1917, Truffini & Reggè offers CDMO services using proprietary patents and innovative technologies	●	●	●		
OFI	OFI was founded in 1946 and offers a "full service" CMO allowing the customer to fully benefit from company resources	●	●		●	
Humana	International company part of the DMK group that follows its customers from procurement to product release	●	●	●		
E-Pharma	E-Pharma is an highly specialised pharmaceutical company dealing with solid oral delivery forms	●	●		●	

Source: Company presentation

As shown in the chart below, **Labomar lies within the STAR quadrant**, unveiling EBITDA margin in excess of 20% coupled with a double-digit turnover growth in the recent years ($CAGR_{14-19}$ of 13.7%).

Chart 17 – Labomar, CDMO competitive arena in Italy

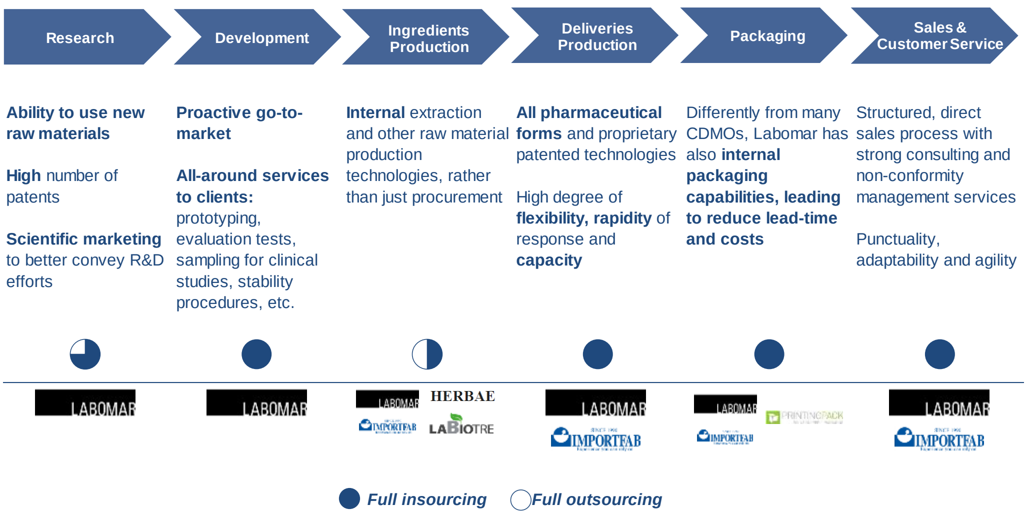


Source: Company presentation

5. Business Model

Labomar is a leading one-stop-shop CDMO, providing its clients with a **full range of services from R&D activity to packaging of finished products**. The group product portfolio includes dietary supplements, medical devices and other segments, namely food for special medical purposes, functional food, functional cosmetics and, through ImportFab, pharmaceutical products. Noteworthy, the group is able to run **tailor-made solutions based on proprietary patents across a wide range of therapeutic areas** (gastro-intestinal, respiratory, cardiovascular, nervous, genitourinary and antioxidant) **via several kinds of dosage forms** (tablet, capsule, liquid, powder and semi-solid).

Chart 18 – Labomar, value chain



Source: Company presentation

The group has a **structured management team**, including a COO, a CFO, a Head of Sales, a Lean Manager, an HR Manager, an IT Manager and a Quality Manager. Furthermore, the **advanced management control system** allows the finance department to provide the BoD with a monthly report with revenues and industrial margin analysis by country, by customer, by dosage form and by production line. As a consequence, the group is able to have **tight control and wide coverage of the entire value chain**, strategically insourcing all the value-added activities. In details, Labomar value chain is structured as follows:

- **Research & Development:** Labomar has a dedicated R&D team composed of 24 specialised resources, among which pharmaceutical chemicals, pharmacists, pharmaceutical technologists, chemical technicians, mathematicians and statisticians. In the 2017-19 period, **Labomar invested on average 4% of its annual revenues in R&D**, almost entirely expensed into P&L. Thanks to the significant expenses in R&D, the team is able to manage more than 800 new formulas per annum; moreover, the group has **17 proprietary patent families**. As of 30 June 2020 the group had **148 R&D projects ongoing** mainly focused on probiotics (40 projects), the immune system (31) and vitamins & minerals (20). Furthermore, clinical trials and scientific publications are often carried out together with several major Italian universities, such as the University of Padua, the University of Turin and the University of Bologna.

Chart 19 – Labomar, R&D process

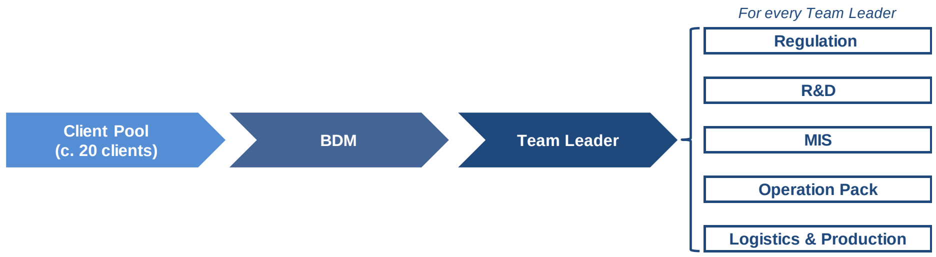
Formulation / Scientific communication	Development	Stability	Industrialisation
Study and proposal of new **raw materials** **Product formulation** (with and without patent) **Scientific presentation** to be attached to the selling price proposal Preparation of **scientific support** for corporate communication Drafting of **clinical trial** protocols and related monitoring (research centers)	Realisation of laboratory **prototypes** Product **industrialisation** overview **Product evaluation** panel test Development of **sampling** for clinical studies and prototypes to be put in stability **Evaluation of change** on existing product formulas	**Validation of analytical methods** and interface with accredited laboratories external to the company **In-use testing** of reconstituted dry liquids or syrups to determine the safety of the product from opening the package to the end of the recommended dosing period Monitoring of products both with **internal controls** and with **external controls** on the company	**Scale-up** of the product starting from the prototype formula made in the laboratory and approved by the customer, up to its construction on an industrial scale **Test with industrialisation** to improve production performance **Monitoring and improvement** of both industrial performance and product formulation

Source: Company presentation

- **Production:** the group operates **three specialised manufacturing plants** and **one R&D facility in Istrana** (TV), located in hard-working, creative north eastern Italy, as well as **a manufacturing plant in Canada** stemming from the ImportFab acquisition. Labomar is able to produce a wide range of products, covering several therapeutic areas and offering a vast array of different delivery forms. Currently, **the production capacity of the Italian plants is exploited at 60% on average**, while the **Canadian plant is working at 40-50% of its capacity.** Concerning the raw material procurement, Labomar has an extensive list of selected suppliers, entailing no purchase concentration risks. Amongst the group's key raw material suppliers LaBiotre is worth mentioning: it is an Italian company producing botanical extracts, in which Labomar has a minority stake of 31.2% while the majority is held by BioDue SpA (51.2%), former listed on AIM Italia and recently delisted. LaBiotre represents a strategic asset for Labomar, thus a shareholders' agreement with BioDue secures Labomar influence on the firm (a director of LaBiotre is the COO of Labomar).
- **Packaging:** usually CDMOs activities do not include the finished product packaging. Conversely, the group has the capability to provide its clients with a finished product ready for the shelf, reducing lead-time and costs. Labomar has a 20.0% minority stake in Printing Pack Srl, a supplier of packaging material.
- **Quality control:** Labomar established **a team of 14 employees dedicated to quality analysis and quality control.** Thanks to over 100 standard operating procedures and several hours of training per person every year, the group achieved 100% of successful audits in the 2017-19 period. The quality management system is integrated with HACCP and GMP standards in order to ensure a best-in-class quality level for the entire array of products and services provided by the group.
- **Sales & customer service:** since 2018, Labomar has been building a **unique salesforce** composed as of today of **12 Business Development Managers – BDMs**, namely professional figures with high seniority and a good relationship network in the pharmaceutical sector. Most of them, namely 9 BDMs out of 12, operate with consultancy or collaboration agreements, thus they are not direct employees of Labomar. Each BDM has a portfolio of about 20 clients and works closely with a team leader, which is a Labomar employee and reports directly to the Head of Sales. Furthermore, the group has a **distinctive selling proposition** compared to other CDMOs: thanks to a **catalogue of several ready-to-market products** (about 100 SKUs), Labomar is able to intercept all the heterogeneous

needs of its existing and potential clients, reducing time-to-market, increasing the share of wallet and cementing trust-based relationships with customers.

Chart 20 – Labomar, unique salesforce based on BDMs



Source: Company presentation

- **Marketing & communication:** Labomar annually invests in marketing and communication activities in order to strengthen its proactive go-to-market approach and increase awareness among consumers. In particular, **the group joins to the most important international trade fairs** to meet customers and suppliers and to establish business relations with them. Furthermore, Labomar carries out several institutional marketing activities too, such as conferences and sponsorships, to support the image of an innovative and proactive company towards its customers.

Noteworthy, in 2016 Labomar started a **lean transformation process**, which allowed the firm to achieve tangible results in term of quality, efficiency and strategy. The lean transformation embraced new technical features in the business organisation, such as:

- The **Hoshin Kanri** method, a seven-step process used in strategic planning.
- A **KPI system**, namely performance indicators for all the production lines.
- A **value streams** approach where the total quality manager provides direction and focus on the client's priorities.
- The **Kaizen Approach**, a visual tool that helps the team to improve its efficiency.
- A **design to cost** approach, in order to control costs in the manufacturing process.
- The use of **Visual Planning** to improve communication and knowledge transfer among team members.

Moreover, the lean transformation process also applies to social behaviour:

- **Team leader leadership**, namely training people who have the capability to drive performance within a team.
- **Behaviour Based Quality (BBQ),** namely spreading the culture of quality through the promotion of virtuous behaviour.
- **Information waterfall:** sharing information and issues to involve all employees.
- **Problem solvers:** move from a problem fixing to a problem solving approach.

6. ImportFab Acquisition

In November 2019 Labomar, through ImportFab, a recently Canadian incorporated vehicle, acquired the assets of a Canadian company (now denominated Canada Inc.) based in Quebec, near Montreal. ImportFab is a **Contract Manufacturing Organisation (CMO) specialised in the manufacturing of liquid and semi-solid pharmaceutical products, nutraceutical products and functional cosmetics.** Noteworthy, the company is authorised to produce either branded or generic prescription and OTC drugs for the Canadian and US markets.

The agreement was entered into as an **asset deal** through the acquisition of Canada Inc.'s assets **by a new-co 66.3% owned by Labomar while the remaining 33.7% is owned by SIMEST-SACE**. The new-co was equipped with financial resources for about € 20.0m, of which € 12.0m through a capital increase and € 8.0m stemming from a shareholder loan, in order to complete the transaction. The contribution of SIMEST-SACE was an "equity loan" of € 4.0m, thus no minority stakes are included in the group consolidated P&L and balance sheet, in that Labomar will automatically own 100% of ImportFab when the loan is fully repaid.

The **maximum purchase price was set at approximately CAD 30.2m**, of which CAD 28.1m already paid (including CAD 630k of additional NWC received vs original terms) and CAD 2.1m as maximum earn-out to be paid in three annual instalments and based on certain gross margin targets. Considering the maximum purchase price and the ImportFab FY-19 financial results, we calculated Labomar paid at most **9.7x EV/EBITDA$_{19}$.**

In FY-19 (year end at 31-Oct-19), ImportFab reported revenues of CAD 13.9m with an adjusted EBITDA of CAD 3.1m, 22% margin.

The **strategic rationale** of the deal is based on several opportunities and synergies, namely:

- ImportFab operates in **geographical markets tough to penetrate for the European players**, namely **Canada and US**. The deal allows Labomar to enter the North American market, which was worth about € 26bn in 2018 (source PwC).
- ImportFab manufactures **liquid and semi-solid products**, which are hard to deliver far from the productive plant, chiefly overseas. As a consequence, Labomar will be able to exploit the manufacturing plant of ImportFab to introduce part of its product portfolio in Canada and US, manufacturing locally.
- As of today, ImportFab is a pure CMO, i.e. not providing its clients with R&D activities. **The Labomar R&D capabilities**, coupled with its proprietary patents and its extremely high know-how, **will give a boost to ImportFab's business**. The company will be able to offer its own client base new value-added services, which may lead to increase customer loyalty and enlarge the share of wallet.
- ImportFab's limited size did not allow the firm to invest much in the commercial structure, while now the group can exploit several **commercial synergies** thanks to the connection between ImportFab's client portfolio and Labomar's salesforce.
- ImportFab's plant was authorised for the **manufacturing of pharmaceutical products** almost three decades ago. Furthermore, the firm has been inspecting and registering by the Food and Drug Administration (FDA) since 2002 and was certified as compliant with the current Good Manufacturing Practices (GMP).
- In Canada ImportFab started a few tests for the manufacturing of liquid and semi-solid **cannabis-based products.** Actually, Canada is one of the countries where cannabis cultivation and recreational use are permitted.

7. COVID-19: Impact and Labomar Response

Since February 2020 the rapid spread of the COVID-19 pandemic, coupled with the resulting lockdown, has caused a sanitary, social and financial crisis worldwide. The necessary severe restrictions on people's mobility in order to contain the dramatic rapid expansion of the contagion had and are having a significant impact on production, trade and consumption.

Labomar was classified among the firms essential to society by an Italian Government decree, thus it **has been fully operative even during the lockdown period**. In Canada, the production activity of the ImportFab plant has been limited to pharmaceuticals while the cosmetics manufacturing was stopped for a few weeks and restarted last May 4th.

In order to face the COVID-19 issues, Labomar implemented certain strong safety measures across all functions and plants, setting up a dedicated task force too. The strategy was based on a few pillars:

- **Employee health and safety:** the company provided masks and gel, introduced social distancing measures, reorganised the production to avoid gatherings, defined rules for coffee and lunch breaks and adopted smart-working for certain business functions.
- **Continuity of production and further efficiency measures** in order to ensure the stability of the supply-chain.
- **Keep close contact with clients and proactively support them:** in particular focusing on exploiting new opportunities in targeted therapeutic areas, namely cough & cold and the immune system.
- **Focus on financial planning:** Labomar implemented an ageing analysis of customers and suppliers, in order to reduce credit risk and the risk of supply disruption.
- **Capex plan optimisation:** the firm analysed the capex planned in order to pay attention to priority and timing to make the most efficient use of financial resources.

Labomar believes it will be able to accelerate growth despite the COVID-19 crisis. The company operates in a relatively anti-cyclical market and is now focused on seizing the opportunities embedded in the current scenario, namely the increasing attention paid to health and well-being by the world population. In detail, **what might make Labomar immune to the current macroeconomic scenario is:**

- **Salesforce and R&D:** thanks to its strong R&D effort and the structured sales network based on BDMs, Labomar will be able to proactively support its customers by offering them new products in several therapeutic areas and a vast array of dosage forms.
- **Digitalisation:** Labomar continuously invests in communication and online training to facilitate and strengthen its relationships with clients and scientific informers. Furthermore, during the lockdown period the group was able to remotely interact with its customers never interrupting the ongoing projects and developing new business opportunities.
- **Customers:** the group is focusing on geographic expansion projects with large multinational customers, enjoying strong international distribution capabilities, not only in Europe but worldwide.

8. Strategy – Use of IPO Proceeds

After the outstanding growth path recorded since its establishment, Labomar is now aiming at continuing its development and consolidation of its competitive positioning in the buoyant CDMOs market and at pursuing a geographical expansion. The group's growth strategy is based both on organic and external growth: **the IPO proceeds will be used chiefly to exploit certain M&A opportunities.**

Coherently to its growth path, Labomar's principal strategy is focused on:

- **Consolidation of the market share in Italy**: the Italian vitamins & dietary supplements market accounted for € 2.7bn in 2018 and it is anticipated to grow with a $CAGR_{18\text{-}23}$ of 4.3%, reaching € 3.4bn in 2023 (source PwC July 2020). Thanks to its strong R&D effort, the wide ready-to-market product portfolio and the ability to manage several different delivery forms, Labomar is well positioned to increase its share of wallet among the multinational pharmaceutical companies.

- **Organic geographical expansion:** the first target market where Labomar plans to expand is North America, thanks to the ImportFab acquisition. The strategy is to 1) identify the best target clients, namely big pharma companies with a strong brand awareness and a capillary sales network, 2) classify their needs and 3) intercept them with a proactive go-to-market approach, suggesting new solutions, innovative formulas and advanced dosage forms. The same approach may then even be adopted in other geographical markets with high potentials.

- **New L6 plant:** Labomar is investing in the construction of a new plant in Istrana (Treviso, Italy), near the current headquarters, with the aim to aggregate all the business operations now split in four plants, in order to increase the production capacity and improve the operating efficiency. The plant should be ready by the end of 2023 and we anticipate Labomar will be investing between € 15m and € 20m overall in 2020-23. Please be reminded this project will be **self-financed by the company** and the IPO proceeds will not be necessary to finance the L6 plant construction. Despite Labomar production capacity is currently exploited only at approximately 60%, we believe that this huge investment as of today is **a foresighted move to properly exploit the expected increasing demand in the medium-term.**

- **Exploiting synergies with ImportFab:** thanks to the ImportFab acquisition Labomar entered the US and Canadian markets (€ 26bn in 2018 according to the PwC report "Vitamins & Dietary Supplements Market Overview" July 2020). In addition, the group will be able to manufacture locally liquid and semi-solid products, which are hard and costly to deliver far from the productive plant, chiefly overseas, exploiting cross-selling opportunities towards US big pharma companies. Furthermore, thanks to the Labomar superior R&D capabilities, the group can leverage on cross-fertilisation synergies to transform ImportFab from a pure CMO to a CDMO.

- **M&A opportunities:** the IPO proceeds will mainly be used to support Labomar's external growth. In our view, according to market dynamics, the **potential targets may have different profiles**, namely: i) European companies with a significant international presence in order to have direct access to new geographical markets; ii) firms owning innovative patents and technological platforms able to improve and enlarge Labomar's product portfolio; iii) companies focused on the probiotics segment, not yet covered by the group; iv) US companies operating in adjacent segments of the market or dealing with different clients than ImportFab's.

9. Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are a function of the **simultaneous interaction of five forces**. Their analysis allows to evaluate the competitive position of a firm within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

The Nutraceutical CDMO segment in which Labomar operates is a business that can be labelled as **RATHER ATTRACTIVE** and characterised by:

- **A monopolistic competition market:** Labomar is a small/medium sized player in a highly fragmented industry with a large number of small players, which are not necessarily direct competitors but rather possible M&A targets. Production capacity is not an issue in this segment, also on the back of the great number of sub-suppliers out there. The consistent high level of quality and service offered makes the difference: originality and differentiation of the products are key competitive advantages. Labomar is a true partner to customers.
- **No issue of weighty suppliers**. Labomar has an extremely flexible production structure, with approximately 70-30 variable-fixed costs: the recourse to external production capacity for certain low-value-added manufacturing is rather significant. The group directly manages every strategic activity (i.e. research and development of active ingredients and formulas, quality control). Concerning the raw material procurement, Labomar has an extensive list of selected suppliers, entailing no purchase concentration risks. The saturation of the Italian plants is close to almost 60% and 40-50% at ImportFab: Labomar has adequate capacity to sustain growth and plenty of room to maintain flexibility.
- **Well-balanced client base**. The top fifteen clients account for 48% of 2019PF turnover: the first five make 25% and the next ten 23%. Out of this 48% of sales, clients with a loyalty of more than 10 years account for 32% and the remainder has more than 5 years of history within the group. Labomar is their reliable R&D, developing, producing and technology solution partner. In the last five years, the share of wallet increased by 54% to € 305k from € 198k per client.
- **Rather robust barriers to entry,** represented by originality and differentiation of the products, their consistent quality and the level of services. Labomar is a true partner to customers. The price is relevant but is not on the podium. Furthermore, reliable high levels of technological innovation/development as well as compliance with high sustainability standard levels represent defendable entry barriers, corroborated by constant and enduring R&D investment.
- **The substantial absence of potential substitutes.** There is a low threat of substitution in static terms and limited cross-elasticity of goods. The pharmaceutical form could vary, but not the function of nutraceuticals.

Chart 21 – Porter's 5 forces industry summary

Rivalry amongst competitors	Low Medium	An imperfect competition market in a rather competitive transition towards an oligopoly Highly fragmented industry, Labomar is a consolidating player Production capacity is not an issue, price is not the key aspect	+/- + +	+/-
Bargaining power of suppliers	Low	Key strategic activities performed in house Ingredient producers and other suppliers are largely availabel on the market	+ +	+
Bargaining power of customers	Medium Low	The first 15 clients (less than 50% of sales) have more than 5Y seniority Clients tend to externalise R&D and production rather than vertically integrate Share of wallet increased 54% in 2014-19	+ + +/-	+/-
Threats of new entrants	Medium Low	Quality, service, differentiation, innovation and R&D capacity make the difference Labomar is a true and reliable partner to pharmacompanies The time needed to develope a structure and develop relationship might deter new comers	+ + +/-	+/-
Threats of potential substitutes	Low	Low threat of substitution in static terms, limited cross-elasticity of goods To a lesser extent, the pharmaceutical form could vary, not the function of nutraceuticals	+ +	+

Source: CFO Sim, Company data

10. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out with regard to a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths**: characteristics of the business that give it an advantage over others.
- **Weaknesses**: characteristics that place the business at a disadvantage vs. others.
- **Opportunities**: elements that the project could exploit to its advantage.
- **Threats**: elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

S.W.O.T. Analysis

Strengths	Weaknesses
Well-structured R&D team managing over 800 projects per year	**A tiny portion of the new formulas** developed by the R&D dept. **results in the manufacturing of new products**
Wide product portfolio with several **ready-to-market** solutions	**Clients ask for specific products that Labomar is not able to provide yet**
Ability to deliver **tailor-made solutions** across **numerous therapeutic areas** based on proprietary technologies	**Limited M&A track record**
Strong EBITDA/FCF conversion (c. 78% on avg. per year in 2017-19)	Relatively small number of **publications/clinical studies** (15)
Unique salesforce able to proactively understand the client's needs	

Opportunities	Threats
The **increasing outsourcing trend** by pharma companies, both in terms of R&D and production	**Highly-skilled labour is a scarce resource,** namely in R&D dept.
Consolidation process of the CDMO sector: Labomar can be an industrial aggregator	**Other potential consolidating actors in the industry** with huge fire power (i.e. private equity funds)
Big Pharma are consolidating their supplier base, choosing partners able to offer services across the entire product life-cycle	**Increasing regulation** or change in the regulatory framework

11. Recent Results

Since its establishment, Labomar has been persistently growing, realising € 47.8m in sales in 2019. In the last few years the company recorded fair organic growth with a $CAGR_{17\text{-}19}$ of 6.5% (13.7% $CAGR_{14\text{-}19}$), mainly thanks to the increasing share of wallet with several clients. The less intense growth recorded in the last three years compared to 2014-19 CAGR was mainly due to a slower YoY revenue increase in FY-18 as the company was focused on the share buyback from Fondo Italiano di Investimento. Top line growth was paired with a proportional increase in margins, coupled with a massive cash flow generation.

Table 1 – Labomar, FY 2017-18-19 results summary (Labomar stand-alone)

€ m	2017	2018	2019	$CAGR_{17\text{-}19}$
Value of Production	**42.1**	**44.2**	**47.8**	**6.5**
EBITDA	**8.3**	**9.0**	**9.5**	**6.6**
% margin	*19.7*	*20.4*	*19.8*	
EBIT	**5.5**	**6.1**	**6.3**	**7.2**
% margin	*13.0*	*13.9*	*13.2*	
Net Profit	**4.1**	**4.3**	**4.6**	**5.2**
% margin	*9.8*	*9.8*	*9.6*	
Net Financial Position	**5.5**	**9.7**	**25.4**	
EBITDA/FCF conv. % *	**73%**	**82%**	**80%**	

*Source: Company data, CFO SIM analysis   * FCF = EBITDA – Δ TWC – Ordinary Capex*

In 2019 Labomar stand-alone reported revenues of € 47.8m, up 9.1% YoY, mainly thanks to the increase in **foreign sales (33% of total)** and the rise in the share of wallet with the main big pharma companies.

EBITDA was € 9.5m, 19.8% margin vs. 20.4% in FY-18. The slight decrease in margin was mainly attributable to a different sales mix, following an increase of few less profitable products for certain foreign markets, and to a larger use of interim staff. **Net Profit totalled € 4.6m, 9.6% margin.**

Net Financial Position was € 25.4m debt, 2.7x NFP/EBITDA, mainly as a result of the ImportFab acquisition for € 20.4m and including € 2.7m relating to debts for the rights of use stemming from the IFRS 16 application. Noteworthy, the company shows a **top-notch EBITDA/FCF conversion of 78% on average per year in the 2017-19 period** (excluding extraordinary capex).

11.1 FY-19 Pro-forma Results

In November 2019, Labomar acquired ImportFab, a Canadian CMO, for a total consideration of € 20.4m. Furthermore, in 2019 Herbae Srl was established, a company not yet operative involved in the production and B2B sale of finished raw materials stemming from biomass, 51% owned by Labomar. As a consequence, Labomar's FY-19 consolidated financial statements include two months of ImportFab (namely Nov-Dec 2019) and Herbae as a whole. In order to better represent the consolidation of ImportFab into Labomar, the **2019 pro-forma consolidated financial statements** have been prepared over a uniform time-span (from 1-Jan to 31-Dec), as ImportFab closed its FY-19 financial statement at 31-Oct. Thus, FY-19 consolidated pro-forma results include 1) Labomar's FY-19 consolidated P&L and 2) ten months of ImportFab's FY-19 P&L (namely from 1-Jan to 31-Oct). As of FY-20, ImportFab's financial statements start on 1-Jan and end on 31-Dec.

Table 2 – Labomar, FY 2019-18 results summary (consolidated financial statements)

€ m	2019	2018	% YoY	2019PF
Revenues	**48.3**	**43.5**	***11.2***	**56.6**
Other revenues	0.8	0.7		0.8
Value of Production	**49.1**	**44.2**	***11.3***	**57.4**
Raw material and processing	(22.4)	(19.9)		(24.3)
Services	(7.3)	(6.5)		(9.0)
Personnel expenses	(10.1)	(8.6)		(12.5)
Other opex	(0.2)	(0.2)		(0.2)
EBITDA	**9.1**	**9.0**	***1.2***	**11.3**
% margin	*18.5*	*20.4*		*19.7*
D&A	(3.3)	(2.8)		(3.9)
EBIT	**5.8**	**6.2**	***(5.3)***	**7.4**
% margin	*11.8*	*13.9*		*13.0*
Financials	(0.2)	(0.3)		(0.6)
Pre-Tax profit	**5.6**	**6.0**	***(6.9)***	**6.7**
% margin	*11.3*	*13.5*		*11.7*
Income taxes	(1.4)	(1.6)		(1.7)
Tax rate	*25.5%*	*27.2%*		*25.6%*
Minorities	0.0	0.0		0.0
Net Profit	**4.1**	**4.3**	***(4.6)***	**5.0**
% margin	*8.4*	*9.8*		*8.7*
EBITDA adj.	**9.7**	**9.0**	***7.5***	**12.2**
% margin	*19.7*	*20.4*		*21.2*
EBIT adj.	**6.4**	**6.2**	***4.0***	**8.3**
% margin	*13.0*	*13.9*		*14.5*
Net Profit adj.	**4.6**	**4.3**	***5.1***	**5.7**
% margin	*9.3*	*9.8*		*9.9*
Net Financial Position	**28.7**	**9.7**		**28.7**
Net Equity	**9.9**	**7.4**		**9.9**

Source: Company data, CFO SIM analysis

FY-19 pro-forma total revenues were € 57.4m, of which almost **44% generated abroad** also thanks to the ImportFab acquisition, which allows Labomar to unlock the buoyant North American market.

EBITDA totalled € 11.3m, 19.7% margin. **EBITDA adjusted** for non-recurring costs related to the M&A deal (both buy and sell side) **was € 12.2m, 21.2% margin.** The figure shows that ImportFab was a value-accretive move at EBITDA margin level even on a stand-alone basis. **Adjusted Net Profit reached € 5.7m, 9.9% margin.**

Net Financial Position increased to € 28.7m (€ 9.7m in FY-18), 2.4x NFP/EBITDA adj., mainly as a result of 1) the ImportFab acquisition for € 20.4m, 2) capex for € 5.2m (including the RoU effects stemming from IFRS 16 adoption) and 3) € 1.5m of dividends payed.

11.2 H1-20 Results

The group consolidated interim results in 2020 include ImportFab in the scope of consolidation as of 1-Jan-20. Nonetheless, in H1-20 Labomar unveiled double-digit organic growth, mainly driven by the increasing share of wallet with several clients.

Table 3 – Labomar, consolidated interim results

€ m	H1-20	H1-19	% YoY
Revenues	**33.0**	**23.4**	***41.3***
Other revenues	0.2	0.4	
Value of Production	**33.2**	**23.7**	**39.8**
Raw material and processing	(13.8)	(10.4)	
Services	(4.3)	(3.2)	
Personnel expenses	(7.2)	(5.1)	
Other opex	(0.1)	(0.1)	
EBITDA	**7.8**	**5.0**	**54.2**
% margin	*23.4*	*21.2*	
D&A	(2.2)	(1.4)	
EBIT	**5.6**	**3.6**	**55.0**
% margin	*16.8*	*15.1*	
Financials	(0.7)	(0.1)	
Pre-Tax profit	**4.9**	**3.5**	***39.1***
% margin	*14.8*	*14.9*	
Income taxes	(1.3)	(0.9)	
Tax rate	*26.3%*	*25.0%*	
Minorities	0.0	0.0	
Net Profit	**3.6**	**2.6**	**36.7**
% margin	*10.9*	*11.1*	

Source: Company data, CFO SIM analysis

In H1-20, the group reported **consolidated revenues of € 33.0m**, of which € 5.4m related to ImportFab. **On a stand-alone basis, Labomar unveiled outstanding organic growth of 18% YoY**, reaching € 27.6m sales. During the lockdown period in Canada the ImportFab activity was limited to the production of pharmaceuticals, while functional cosmetics manufacturing was interrupted for almost two months (it restarted as from 4-May).

Consolidated EBITDA was € 7.8m, 23.4% margin. Labomar stand-alone showed € 6.0m EBITDA, € 1.0m higher compared to € 5.0m in H1-19, while ImportFab H1-20 EBITDA was € 1.8m. In H1-20, EBITDA was affected by certain one-off costs related to the COVID-19 pandemic, namely hand-sanitising gel donations and a bonus recognised to all employees who worked during the lockdown period. **EBIT totalled € 5.6m, 16.8% margin.**

In H1-20 Labomar reported FX losses for € 431,809 vs. € 310 in H1-19, mainly related to unrealised exchange losses stemming from CAD depreciation compared to Euro, as the company granted a loan in CAD to ImportFab for the acquisition of the Canadian business unit. As a consequence, **Net Profit totalled € 3.6m, 10.9% margin.**

Consolidated **Net Financial Position was € 26.3m** (vs. € 28.7m in FY-19), including € 3.2m related to the RoU stemming from IFRS16 application. The NFP improvement was driven by the ability of the group to produce operating cash flow and by a good working capital management. Capex in H1-20 accounted for € 1.7m.

12. Financial Forecasts

Originating in 1998 from a family pharmacy owned by Mr Bertin, today Labomar is a **research-driven full service B2B Contract Development and Manufacturing Organisation (CDMO)**. It operates in the dietary supplements and medical devices market and serves global big pharma firms with high-grade value-added technological content dietary supplements and medical devices. The company reported a **13.7% organic sales CAGR$_{14\text{-}19}$** mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma corporations. **Including M&A, top line showed a 17.9% CAGR** in the same period, resulting in a wider product portfolio and access to new countries.

Our estimates include the injection of the IPO fresh resources, which will mainly be employed to support Labomar's external growth, as well as IPO expenses.

Our top line progression assumptions are based on:

- The **consolidation of the Labomar market share in Italy**, increasing the share of wallet among certain pharmaceutical companies thanks to its strong R&D effort, the wide ready-to-market product portfolio and the ability to manage several different delivery forms. **Domestic revenues are anticipated to grow with a CAGR$_{19\text{-}22}$ of 4.5%,** broadly in line with the Italian vitamins & dietary supplements market's expected progression (CAGR$_{18\text{-}23}$ of 4.3%, source PwC July 2020).
- The **organic geographical expansion in European markets** with relevant potentials, exploiting the group's unique sales network based on BDMs to proactively intercept several big pharma companies' needs, namely suggesting to them new innovative formulas and advanced dosage forms. We forecast the group's **European revenues** will grow with a **CAGR$_{19\text{-}22}$ of 26.6%.**
- The **development of the North American market, exploiting the synergies with ImportFab.** We believe the group will be able to manufacture liquid and semi-solid products locally, exploiting cross-selling opportunities towards US big pharma companies. Furthermore, thanks to Labomar's superior R&D capabilities, the group can leverage on cross-fertilisation synergies to transform ImportFab from a just CMO to a CDMO. As a consequence, the **extra EU revenues are anticipated to grow with a CAGR$_{19\text{-}22}$ of 21.4%.**

Overall, **CFO SIM expects consolidated revenues to show a 13.3% CAGR$_{19\text{-}22}$.**

Table 4 – Labomar, 2019PF-22e top line growth evolution breakdown

€ m	2019PF	2020e	2021e	2022e	CAGR$_{19\text{-}22}$
Revenues	**56.6**	**61.2**	**71.2**	**82.2**	***13.3***
Italy	33.7	34.4	36.1	38.4	*4.5*
EU	11.9	14.3	18.5	24.1	*26.6*
Extra EU	11.0	12.5	16.5	19.7	*21.4*
% YoY					
Revenues	-	***8.1***	***16.4***	***15.5***	
Italy	-	*2.0*	*5.0*	*6.5*	
EU		*20.0*	*30.0*	*30.0*	
Extra EU	-	*14.0*	*32.0*	*19.0*	
% on total					
Revenues	***100.0***	***100.0***	***100.0***	***100.0***	
Italy	*59.6*	*56.2*	*50.7*	*46.7*	
EU	*21.0*	*23.3*	*26.1*	*29.3*	
Extra EU	*19.4*	*20.5*	*23.2*	*23.9*	

Source: Company data, CFO SIM estimates

Foreign revenues are expected to progress more than the group's average as a consequence of the aforementioned reasons and to account for **53% of total sales in 2022.**

Table 5 – Labomar, 2019PF-22e profitability evolution

€ m	2019PF	2020e	2021e	2022e	CAGR19-22
Revenues	**56.6**	**61.2**	**71.2**	**82.2**	***13.3***
Increase in finished products	0.0	0.0	0.0	0.0	
Other revenues	0.8	0.9	1.5	1.2	
Value of Production	**57.4**	**62.0**	**72.7**	**83.4**	***13.3***
Raw material and processing	(24.3)	(26.4)	(30.6)	(35.4)	
Services	(9.0)	(9.0)	(10.4)	(12.0)	
Personnel expenses	(12.5)	(14.0)	(16.1)	(18.3)	
Other opex	(0.2)	(1.8)	(0.2)	(0.3)	
EBITDA	**11.3**	**10.9**	**15.3**	**17.3**	***15.4***
% margin	*19.7*	*17.6*	*21.1*	*20.8*	
D&A	(3.9)	(4.2)	(5.0)	(6.3)	
EBIT	**7.4**	**6.7**	**10.3**	**11.1**	***14.2***
% margin	*13.0*	*10.9*	*14.2*	*13.3*	
EBITDA Adjusted	**12.2**	**12.5**	**14.8**	**17.3**	***12.5***
% margin	*21.2*	*20.2*	*20.4*	*20.8*	
EBIT Adjusted	**8.3**	**8.3**	**9.8**	**11.1**	***10.0***
% margin	*14.5*	*13.4*	*13.5*	*13.3*	

Source: Company data, CFO SIM estimates

2019 pro forma figures were adjusted for one-off costs related to the ImportFab acquisition. As a result, FY-19 pro forma adjusted EBITDA was € 12.2m, 21.2% margin.

The group's cost structure is anticipated to be broadly stable (30-70 fixed-variable) and gross margin is predicted at 42.7% on average in 2020-22 period. We estimate **personnel expenses to increase** from € 12.5m in 2019PF to € 18.3m in 2022, mainly as a result of the group's **strengthening of its operating, sales and R&D structures**. This is propaedeutic to successfully exploit the **expected increasing demand in the medium-term**, even if generates a reduction in margins in the short-term. We anticipated **extraordinary costs for € 1.6m in FY-20**, of which € 1.4m related to the IPO process and € 0.2m to the COVID-19 emergency (namely extraordinary bonuses to employees and hand sanitiser donation to local community). Furthermore, a **€ 0.5m tax credit for the listing costs was included in FY-21** projections. As a consequence, in 2020-21 period EBITDA was adjusted excluding the aforementioned extraordinary items.

D&A are seen to rise in the period, on the back of the massive amount of capex expected for 2020-22, specifically intended to improve the group's production capacity through the construction of the new L6 plant. As a result, compared to adjusted 2019 pro forma figures, **EBITDA and EBIT are projected to grow slightly less than proportionally** compared to top line: $CAGR_{19-22}$ of 12.5% and 10.0% respectively, vs. 13.3% of revenues.

Table 6 – Labomar, 2019PF-22e profitability evolution

€ m	2019PF	2020e	2021e	2022e	CAGR19-22
EBIT	**7.4**	**6.7**	**10.3**	**11.1**	***14.2***
% margin	*13.0*	*10.9*	*14.2*	*13.3*	
Financials	(0.6)	(0.4)	(0.4)	(0.4)	
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	
Forex gain/(loss)	(0.2)	0.0	0.0	0.0	
Pre-Tax profit	**6.7**	**6.3**	**9.9**	**10.7**	***16.5***
% margin	*11.7*	*10.2*	*13.6*	*12.8*	
Income taxes	(1.7)	(1.7)	(2.6)	(2.8)	
Tax rate	25.6%	26.5%	26.5%	26.5%	
Minorities	0.0	0.0	0.0	0.0	
Net Profit	**5.0**	**4.6**	**7.3**	**7.8**	***16.0***
% margin	*8.7*	*7.5*	*10.0*	*9.4*	

Source: Company data, CFO SIM estimates

Below EBIT, CFO SIM expects stable financial costs in the coming years and the tax burden is predicted to be steady at a 26.5% rate. As a result, **Net Profit is anticipated to show a 16.0% CAGR in 2019-22e.** Noteworthy, **Labomar has requested the application of the Patent Box** tax scheme for the 2016-20 period and the following five years (2021-25) too. **The potential benefit in terms of lower tax rate if the demand is accepted is not included in CFO SIM's projections.**

Table 7 – Labomar, 2019PF-22e Net Financial Position and financial solidity

€ m	2019PF	2020e	2021e	2022e
Year-end NFP (Cash)/Debt	**28.7**	**2.5**	**1.3**	**2.5**
Average (Cash)/debt	28.7	15.6	1.9	1.9
Gross debt	34.7	34.7	34.7	34.7
EBITDA	**11.3**	**10.9**	**15.3**	**17.3**
Shareholders' equity	**9.9**	**37.9**	**43.8**	**49.5**
Minorities	0.0	0.0	0.0	0.0
Interest charges	(0.6)	(0.4)	(0.4)	(0.4)
NFP/Equity	2.9	0.1	0.0	0.1
NFP/EBITDA	2.5	0.2	0.1	0.1
EBITDA/charges	19.9	26.3	36.8	41.7
Debt/Equity	3.5	0.9	0.8	0.7

Source: Company data, CFO SIM estimates

One of the pillars of the Labomar strategy for the following years is the enlargement of its production capacity and the improvement of its operating efficiency through the new L6 plant. We estimate the group will invest almost € 20m in this project in the 2020-23 period, of which € 5m dedicated to a new functional cosmetics production line.

Over the 2020-22 period CFO SIM forecasts cumulated capex for € 27.0m, mainly related to 1) the setting up of the new L6 plant, 2) the purchase of new machineries and 3) the maintenance of the existing production lines. Furthermore, we have included **IPO fresh resources for € 24.9m** (net of placement fees) in our FY-20 forecasts**.**

On the back of the expected massive investment plan, **EBITDA free cash flow conversion stands at 15.9% per year on average in 2020-22** and, as a consequence, **NFP is projected to remain broadly stable** in the same period. Furthermore, as a result of the ability of the company to generate free cash flow, we projected a **30% dividend pay-out.**

Concerning the operating working capital we anticipated a **broadly stable Op. NWC/Sales ratio in 2020-22 period,** on the back of receivables more than counterbalanced by payables and limited level of inventories (almost entirely already sold and ready to be delivered to clients).

Table 8 – Labomar, 2019-22e Net Financial Position and financial solidity

€ m	2019PF	2020e	2021e	2022e
Op NWC	**6.9**	**7.4**	**9.3**	**10.6**
Inventories	8.1	8.8	10.4	11.9
Receivables	10.3	11.1	13.0	15.0
Payable	(11.6)	(12.6)	(14.1)	(16.3)
Op NWC/Sales	12.0%	11.9%	12.7%	12.7%
Capital Employed	46.9	75.2	81.5	87.5
Capital Employed turnover x	0.8	1.2	1.1	1.0
NFP debt/(cash)	**28.7**	**2.5**	**1.3**	**2.5**
NFP repayment YoY	-	(26.2)	(1.2)	1.2
ROACE%	**-**	**11.0**	**13.2**	**13.1**
ROCE %	**-**	**8.9**	**12.7**	**12.6**
ROE %	**-**	**12.2**	**16.6**	**15.8**
EBITDA - FCF Conversion %	**-**	**25.1**	**16.8**	**5.7**
Free Cash Flow	-	2.8	2.6	1.0
EBITDA	11.3	10.9	15.3	17.3
Capex	-	6.0	8.5	12.5

Source: Company data, CFO SIM estimates

13. Valuation & Risks

CFO SIM initiates coverage of Labomar with a Buy recommendation and PT of € 8.50/s, 28.8% upside to current price levels. We believe that a DCF model is the most appropriate methodology to get a reasonable valuation, in order to better factor in the medium-long term value of the stock and to avoid to incorporate the increased volatility of the stock market.

The DCF model is based on standard settings for a small-cap, including a prudent g=1%, beta=1, WACC=6.6% and a 40/60 debt/equity sustainable balance sheet structure. According to the **DCF model, we asses a valuation of Labomar of € 8.50/s**.

We also run a market multiples valuation to corroborate the value obtained by the DCF model. Considering the market multiples valuation method, we set up two peer groups: 1) companies operating as CDMO worldwide; 2) Italian companies operating with a B2B business model. Instead of applying an arbitrary discount to the CDMO median, due to the rather diversified size, profitability, financial structure, geographical presence and integration of the supply chain, we prefer to adopt a different approach. **We set up a list of domestic companies with a clear B2B business model** characterised by a leading competitive positioning and close relationship with their clients, in order to obtain a fair appraisal of Labomar. Labomar is a freshman entering the financial market and needs to build a track record and earn investor trust in the long run bit by bit. By applying the B2B peer median multiples for EV/EBITDA and PER to Labomar's metrics we attain an **appraisal of Labomar to the tune of € 8.80/s**, using 2020-21 estimates and multiples (60-40 weighted).

13.1. DCF

In the valuation via the DCF method, we assess explicit estimates until 2024 and a cautious long-term growth of 1.0%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 9 – WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	26.5%
Int. costs, after taxes	**1.1%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	1.24%
Beta levered (x)	1.00
Required ROE	**10.2%**

Source: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta** has been prudentially set **at 1.00,** taking into account the lower liquidity of the company. Indeed, the 5Y Beta calculated from the domestic B2B peer group is 0.87x. The WACC is computed using 40/60 debt/equity sustainable balance sheet structure.

Table 10 – Labomar, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	6.7	10.3	11.1	12.7	14.0	
Tax rate	26.5%	26.5%	26.5%	26.5%	26.5%	
Operating profit (NOPAT)	**4.9**	**7.6**	**8.1**	**9.4**	**10.3**	
Change working capital	(0.5)	(1.9)	(1.3)	(0.5)	(0.1)	
Depreciation	4.2	5.0	6.3	6.0	5.0	
Investments	(6.0)	(8.5)	(12.5)	(5.0)	(5.0)	
Free Cash Flows	**2.7**	**2.2**	**0.6**	**9.9**	**10.2**	**184.4**
Present value	2.6	2.1	0.5	8.1	7.8	**142.0**
WACC	6.6%	6.6%	6.6%	6.6%	6.6%	
Long-term growth rate	**1.0%**					

Source: CFO SIM

Table 11 – Labomar, DCF derived from:

€ m	
Total EV present value € m	163.2
thereof terminal value	*87.0%*
NFP last reported + IPO Proceeds	(3.8)
Pension provision	(2.1)
Equity value € m	**157.3**
#m shares	18.48
Equity value €/s	**8.50**
% upside/(downside)	*28.8%*

Source: CFO SIM

The outcome of our DCF model set up an equity value of € 157.3m for Labomar, € 8.50/s.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 7.55-9.77/s (perpetuity range between 0.25% and 1.75%)**, while 2) compared to changes in the free risk rate produces an equity value of **€ 7.80-9.34/s (free risk range between 1.99% and 0.49%)** and 3) compared to changes in the risk premium, including small size premium results into an equity value of **€ 7.19-10.34/s (risk premium range between 10.5% and 7.50%)**.

Table 12 – Labomar, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	21.2	21.2	21.2	21.2	21.2	21.2	21.2
PV of terminal value	124.2	129.7	135.6	142.0	149.0	156.7	165.2
Total value	**145.4**	**150.8**	**156.7**	**163.2**	**170.2**	**177.9**	**186.4**
NFP last reported + IPO Proceeds	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Pension provision	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Equity value	**139.6**	**145.0**	**150.9**	**157.3**	**164.3**	**172.1**	**180.6**
Equity value/share €	**7.55**	**7.84**	**8.16**	**8.50**	**8.89**	**9.31**	**9.77**

Source: CFO SIM

Table 13 – Labomar, equity value sensitivity to changes in free risk rate

€ m	0.49%	0.74%	0.99%	1.24%	1.49%	1.74%	1.99%
Present value of CF	21.4	21.3	21.3	21.2	21.1	21.0	20.9
PV of terminal value	157.1	151.8	146.8	142.0	137.5	133.2	129.1
Total value	**178.6**	**173.1**	**168.0**	**163.2**	**158.6**	**154.2**	**150.1**
NFP last reported + IPO Proceeds	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Pension provision	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Equity value	**172.7**	**167.3**	**162.2**	**157.3**	**152.7**	**148.4**	**144.2**
Equity value/share €	**9.34**	**9.05**	**8.77**	**8.50**	**8.26**	**8.03**	**7.80**

Source: CFO SIM

Table 14 – Labomar, equity value sensitivity to changes in risk premium

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	21.7	21.5	21.3	21.2	21.0	20.8	20.7
PV of terminal value	175.3	162.8	151.8	142.0	133.2	125.3	118.1
Total value	**197.0**	**184.3**	**173.1**	**163.2**	**154.2**	**146.1**	**138.8**
NFP last reported + IPO Proceeds	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Pension provision	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)	(2.1)
Equity value	**191.1**	**178.5**	**167.3**	**157.3**	**148.4**	**140.3**	**133.0**
Equity value/share €	**10.34**	**9.66**	**9.05**	**8.50**	**8.03**	**7.59**	**7.19**

Source: CFO SIM

13.2. Market Multiples

Labomar has a pure B2B business model: the firm is a leading one-stop-shop CDMO, providing its clients with a full range of services from R&D activity to packaging and delivery of finished products.

We conducted an analysis on two clusters: 1) nine companies operating as Contract Development and Manufacturing Organisations worldwide; and 2) seven Italian firms operating with a B2B business model.

Amongst the companies operating as CDMOs, we chose the following:

Biosearch SA develops biomedical products from natural ingredients. The company is conducting research on the ability of components of olive oil to prevent cardiovascular disease, immunology, and neurobiology. Biosearch develops new products, offers technical consulting services, manages its own patents, and conducts research under contract for other companies.

Catalent Inc provides delivery technologies and development solutions for drugs, biologics, and consumer health products. The company's oral, injectable, and respiratory delivery technologies address the diversity of the pharmaceutical industry including small molecules, large molecule biologics, and consumer health products.

Clover Corporation Ltd produces and refines natural oils along with the sale and distribution of chemicals and related products to the pharmaceutical industry. The company also researches, develops, and supplies DHA products.

Fine Foods & Pharmaceuticals NTM SpA, founded in 1984, is an Italian leading independent company in the development and contract development and manufacturing organization of solid oral forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market by its high-quality products and, has consolidated, continuous relationships with most of its customers.

Jubilant Life Sciences Ltd is an integrated Pharma and Life Sciences Company. The company provides Life Sciences products and services across the pharma value chain that includes advance intermediates, fine chemicals, nutrition ingredients, APIs, generic pharmaceuticals, injectable, radio pharma, allergy products and drug discovery and development services.

Lonza Group AG produces organic fine chemicals, biocides, active ingredients, and biotechnology products. The company offers custom chemical manufacturing and fermentation processing and manufactures its products for the life sciences, pharmaceuticals, food processing, and agricultural products industries. Lonza operates production sites in Europe, the United States, and China.

Probi AB carries out research and development in probiotics. The company has three main research areas: surgery and medicine, foodstuff technology and microbiology. Probi has developed the fruit drink ProViva, containing active bioculture intended to counteract harmful bacteria and strengthen the immune system. The company also develops animal feed. Probi markets internationally.

Recipharm AB (publ) specialises in contract development and manufacture of pharmaceuticals. The company manufactures products in forms that include solid dose, granulates and powders, sterile liquids and lyophilisates, semi solids, hormones, oral liquids, sprays, and dry powder inhalers. Recipharm offers its products globally.

Siegfried Holding AG: provides development services and the production of active pharmaceutical ingredients (API), intermediates, controlled and standard substances, and complex formulations. The company offers its services to the life sciences field worldwide.

Amongst B2B Italian companies, we selected the following:

Biesse SpA manufactures machinery, systems, and equipment for machine stone, plastic, wood, glass, and other advanced materials. The company produces machines to manufacture panels, size boards, assembles, pack furniture, grind edges, and handling systems for furniture assembly lines. Biesse serves customers worldwide.

Eurotech SpA designs and develops a range of computer products and services for the transportation, telecommunications, aerospace, and other industries. The company custom designs nanoPc and high-performance computers.

Freni Brembo SpA is the world undisputed leader and acknowledged innovator of disc brake technology for automotive vehicles. Brembo supplies high performance brake systems for the most important manufacturers of cars, commercial vehicles and motorbikes worldwide, as well as clutches and other components for racing. Brembo is also a leader in the racing sector and has won more than 400 championships.

Guala Closures SpA manufactures non-refillable and aluminium packaging products. The Company offers closures for spirits, wine, oil, vinegar, water, beverages, food, and pharmaceuticals. Guala Closures serves customers globally.

Interpump Group SpA manufactures pumps, hydraulics, and cleaning equipment. The Company produces high-pressure pumps, electric motors, cleaning trolleys, hotel safes, bathtub frames, elevator components, hydraulic power take-offs, consumer and professional high-pressure washers, wet and dry vacuum cleaners, floor sweepers, steam cleaners, and squeegees.

Lu-Ve SpA designs and manufactures refrigeration and air conditioning products. The Company produces cooling units, air coolers, steel condensers, cooled condensers, dry coolers and accessories.

Prima Industrie SpA manufactures lasers and related equipment. The company's products include software-controlled high-power and high-precision laser cutting and welding systems. Prima's products are categorized as 2-D and 3-D laser cutting machinery.

Based on CFO SIM estimates, **Labomar shows a higher than median CDMO Sales CAGR and EBITDA margin**.

Table 15 – Labomar, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{19-22}$	EBITDA $CAGR_{19-22}$	EBIT $CAGR_{19-22}$	Net Profit $CAGR_{20-22}$	NFP/ EBITDA FY1
Biosearch SA	E	78	28	4	12.4%	15.0%	37.9%	68.7%	60.4%	0.7
Catalent Inc	US	14,358	3,135	777	24.8%	10.9%	18.5%	26.8%	18.9%	2.1
Clover Corporation Ltd	AUS	189	47	8	16.7%	9.7%	5.9%	6.1%	33.4%	0.6
Fine Foods & Pharmaceuticals NTM SpA	IT	207	177	23	13.0%	11.9%	24.6%	39.9%	27.7%	n.m.
Jubilant Life Sciences Ltd	IND	1,264	1,087	217	19.9%	4.6%	4.3%	3.8%	17.8%	1.3
Lonza Group AG	CH	39,797	5,716	1,580	27.6%	6.5%	9.6%	15.3%	14.8%	1.7
Probi AB	SWE	442	69	20	29.2%	9.3%	7.8%	10.0%	13.8%	n.m.
Recipharm AB (publ)	SWE	1,168	1,091	197	18.0%	18.9%	27.1%	37.3%	73.1%	4.4
Siegfried Holding AG	CH	2,547	780	132	16.9%	8.9%	23.0%	33.5%	25.9%	2.7
Median CDMO		**1,168**	**780**	**132**	**18.0%**	**9.7%**	**18.5%**	**26.8%**	**25.9%**	**1.7**
Biesse SpA	IT	471	579	45	7.8%	0.4%	9.6%	11.6%	119.8%	0.4
Eurotech SpA	IT	156	75	7	8.9%	n.a.	n.a.	n.a.	n.a.	n.m.
Freni Brembo SpA	IT	3,696	2,155	378	17.6%	-0.6%	0.1%	-1.8%	37.1%	1.1
Guala Closures SpA	IT	400	580	106	18.2%	3.0%	3.9%	14.8%	83.2%	4.3
Interpump Group SpA	IT	4,033	1,287	284	22.1%	3.1%	3.3%	1.5%	17.4%	1.1
Lu-Ve SpA	IT	317	388	42	10.9%	4.9%	4.8%	8.4%	44.4%	2.8
Prima Industrie SpA	IT	149	332	24	7.1%	0.4%	0.0%	0.7%	n.a.	5.1
Median Domestic B2B		**400**	**579**	**45**	**10.9%**	**1.7%**	**3.6%**	**5.0%**	**44.4%**	**2.0**
Labomar SpA	**IT**	**122**	**62**	**13**	**20.2%**	**13.3%**	**12.5%**	**10.0%**	**16.2%**	**0.2**

Source: CFO SIM, Thomson Reuters Eikon

Table 16 – Labomar, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Biosearch SA	2.84	2.56	2.21	22.9	16.8	12.2
Catalent Inc	5.10	4.53	4.08	20.6	17.7	15.7
Clover Corporation Ltd	4.11	2.90	2.58	24.6	15.7	13.3
Fine Foods & Pharmaceuticals NTM SpA	0.90	n.a.	0.62	6.9	n.a.	4.2
Jubilant Life Sciences Ltd	1.43	1.22	1.08	7.2	5.8	5.1
Lonza Group AG	7.43	6.85	6.29	26.9	23.8	21.0
Probi AB	5.99	5.44	4.94	20.5	18.4	16.6
Recipharm AB (publ)	1.86	1.70	1.53	10.3	8.8	7.7
Siegfried Holding AG	3.73	3.16	2.91	22.1	17.9	15.5
Median CDMO	**3.73**	**3.03**	**2.58**	**20.6**	**17.3**	**13.3**
Biesse SpA	0.85	0.75	0.67	10.8	7.5	5.4
Eurotech SpA	1.92	1.34	n.a.	21.6	7.9	n.a.
Freni Brembo SpA	1.91	1.64	1.52	10.9	8.6	7.7
Guala Closures SpA	1.47	1.31	1.19	8.0	6.9	6.2
Interpump Group SpA	3.38	2.98	2.76	15.3	13.1	11.9
Lu-Ve SpA	1.13	1.01	0.93	10.4	8.0	7.0
Prima Industrie SpA	0.81	0.63	0.59	11.4	6.7	6.2
Median Domestic B2B	**1.47**	**1.31**	**1.06**	**10.9**	**7.9**	**6.6**
Labomar SpA	**2.01**	**1.70**	**1.50**	**10.0**	**8.3**	**7.2**
% premium/(discount) to CDMO	*(46.0)*	*(43.9)*	*(42.0)*	*(51.5)*	*(51.7)*	*(46.0)*
% premium/(discount) to Domestic B2B	*37.1*	*29.7*	*41.3*	*(8.4)*	*5.4*	*8.6*

Source: CFO SIM, Thomson Reuters Eikon

Table 17 – Labomar, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Biosearch SA	53.4	26.3	17.4	55.4	32.3	21.5
Catalent Inc	27.3	24.2	20.9	36.8	31.5	26.0
Clover Corporation Ltd	25.9	16.3	13.8	34.7	22.7	19.5
Fine Foods & Pharmaceuticals NTM SpA	15.1	n.a.	7.3	21.8	17.3	13.4
Jubilant Life Sciences Ltd	9.8	7.9	6.7	12.9	10.0	9.3
Lonza Group AG	36.7	31.9	27.0	42.9	37.5	32.6
Probi AB	32.0	28.3	24.8	44.8	39.1	34.6
Recipharm AB (publ)	28.8	20.0	15.7	54.4	24.1	18.2
Siegfried Holding AG	35.1	27.2	23.1	41.5	30.7	26.2
Median CDMO	**28.8**	**25.3**	**17.4**	**41.5**	**30.7**	**21.5**
Biesse SpA	30.1	15.6	10.0	52.0	22.8	10.8
Eurotech SpA	51.5	10.3	n.a.	90.4	12.5	n.a.
Freni Brembo SpA	23.0	16.1	13.4	33.2	21.1	17.7
Guala Closures SpA	16.2	12.8	10.4	48.9	20.4	14.6
Interpump Group SpA	22.0	17.9	16.1	29.7	24.0	21.5
Lu-Ve SpA	26.3	15.4	12.0	25.0	15.3	12.0
Prima Industrie SpA	185.8	15.5	13.4	n.m.	16.4	14.9
Median Domestic B2B	**26.3**	**15.5**	**12.7**	**41.1**	**20.4**	**14.7**
Labomar SpA	**15.0**	**12.6**	**11.3**	**21.1**	**17.7**	**15.6**
% premium/(discount) to CDMO	*(47.8)*	*(50.2)*	*(35.3)*	*(49.2)*	*(42.5)*	*(27.6)*
% premium/(discount) to Domestic B2B	*(42.9)*	*(18.8)*	*(11.0)*	*(48.6)*	*(13.2)*	*5.9*

Source: CFO SIM, Thomson Reuters Eikon

Instead of applying an arbitrary discount to CDMO median, due to the rather diversified size, profitability, financial structure, geographical presence and integration of the supply chain, we prefer to adopt a different approach. We set up a list of domestic companies with a clear B2B business model characterised by a leading competitive positioning and close relationship with their main clients, in order to obtain a fair appraisal of Labomar. Labomar is a freshman entering the financial market and needs to build a track record and earn investor trust in the long run bit by bit. Thus, by applying the B2B peer median multiples for EV/EBITDA and PER to Labomar's metrics we attain an **appraisal of Labomar to the tune of € 8.80/s**, using 2020-21 estimates and multiples (60-40 weighted).

Table 18 – Labomar, equity value assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers Domestic B2B (x)	**1.47**	**1.31**	**1.06**	**10.9**	**7.9**	**6.6**
Labomar metric	62.0	72.7	83.4	12.5	14.8	17.3
NFP	(2.5)	(1.3)	(2.5)	(2.5)	(1.3)	(2.5)
Labomar Equity Value	**88.4**	**93.9**	**85.8**	**133.7**	**115.9**	**112.3**
Labomar Equity Value/share €	**4.78**	**5.08**	**4.64**	**7.23**	**6.27**	**6.07**
% upside/(downside)	*(27.5)*	*(23.0)*	*(29.7)*	*9.6*	*(5.0)*	*(8.0)*

Source: CFO SIM, Thomson Reuters Eikon

Table 19 – Labomar, equity value assessment, 2#3

€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers Domestic B2B (x)	**26.3**	**15.5**	**12.7**	**41.1**	**20.4**	**14.7**
Labomar metric	8.3	9.8	11.1	5.8	6.9	7.8
NFP	(2.5)	(1.3)	(2.5)			
Labomar Equity Value	**215.8**	**150.8**	**137.6**	**238.0**	**140.7**	**115.4**
Labomar Equity Value/share €	**11.67**	**8.16**	**7.44**	**12.87**	**7.61**	**6.24**
% upside/(downside)	*76.9*	*23.6*	*12.8*	*95.1*	*15.4*	*(5.4)*

Source: CFO SIM, Thomson Reuters Eikon

Table 20 – Labomar, equity value assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA (x)	7.23	6.27	6.07
PER (x)	12.87	7.61	6.24
Average	**10.05**	**6.94**	**6.16**
Weighting	*60.0%*	*40.0%*	*0.0%*
Equity Value/share €	**8.80**		
% upside/(downside)	*33.3%*		

Source: CFO SIM, Thomson Reuters Eikon

13.3. Peer Stock Performance

Labomar was listed on AIM Italia market on **5th October 2020 at € 6.00/share**, corresponding to a **market capitalisation post money of € 110.9m**. Adopting the same approach used in setting up the peer sample for assessing the value of Labomar, we conducted an analysis on two clusters: 1) nine companies operating as Contract Development and Manufacturing Organisations worldwide; 2) seven Italian companies operating with a B2B business model.

Table 21 – Labomar, peer group and indexes absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Biosearch SA	(0.9)	4.5	(5.5)	4.4	32.9	27.6	46.7
Catalent Inc	(0.8)	(1.2)	9.9	19.5	31.6	83.5	100.4
Clover Corporation Ltd	1.4	4.5	6.6	(16.3)	(20.9)	(31.5)	(35.8)
Fine Foods & Pharmaceuticals NTM SpA	(0.5)	10.2	11.1	-	1.9	(8.3)	0.9
Jubilant Life Sciences Ltd	0.0	(0.3)	(10.2)	(15.9)	52.7	29.8	32.9
Lonza Group AG	(1.1)	(4.5)	0.3	3.6	19.6	63.4	72.9
Probi AB	(0.9)	(2.2)	(1.5)	(0.1)	53.7	74.1	43.4
Recipharm AB (publ)	(0.7)	0.4	(2.0)	(2.7)	45.5	13.7	21.7
Siegfried Holding AG	1.6	(2.3)	7.3	27.5	51.5	35.6	52.0
Median CDMO	**(0.7)**	**(0.3)**	**0.3**	**-**	**32.9**	**29.8**	**43.4**
Biesse SpA	0.2	2.9	10.3	20.1	117.9	15.6	35.0
Eurotech SpA	(2.4)	13.2	22.0	(3.6)	(21.9)	(47.8)	(46.4)
Freni Brembo SpA	5.2	8.7	13.4	39.5	49.7	(0.1)	4.0
Guala Closures SpA	-	0.5	(1.1)	(1.2)	3.7	(11.7)	0.8
Interpump Group SpA	1.1	5.6	11.6	27.0	33.9	30.9	39.3
Lu-Ve SpA	(0.7)	1.8	9.2	21.8	26.1	11.3	26.1
Prima Industrie SpA	(0.7)	14.2	19.6	4.0	9.1	(13.5)	(5.2)
Median Domestic B2B	**-**	**5.6**	**11.6**	**20.1**	**26.1**	**(0.1)**	**4.0**
Labomar SpA	**(0.3)**	**0.3**	**(5.6)**	**-**	**-**	**-**	**-**
MSCI World Index	(0.2)	0.4	4.5	6.2	22.6	7.7	11.9
EUROSTOXX	0.5	1.4	8.2	7.9	19.9	(4.3)	(2.5)
FTSE Italia All Share	0.8	3.9	12.1	9.6	24.6	(7.9)	(6.9)
FTSE STAR Italia	0.4	2.2	7.6	9.8	24.7	6.8	11.4
FTSE AIM Italia	0.0	2.9	3.5	(0.0)	(0.0)	(14.9)	(14.7)

Source: Thomson Reuters Eikon

Table 22 – Labomar, relative performances

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(0.1)	(0.1)	(10.1)	-	-	-	-
to EUROSTOXX	(0.8)	(1.1)	(13.7)	-	-	-	-
to FTSE Italia All Share	(1.1)	(3.6)	(17.7)	-	-	-	-
to FTSE STAR Italia	(0.7)	(1.9)	(13.1)	-	-	-	-
to FTSE AIM Italia	(0.3)	(2.6)	(9.1)	-	-	-	-
to CDMO peer Median	0.4	0.6	(5.9)	-	-	-	-
to Domestic B2B peer Median	(0.3)	(5.3)	(17.2)	-	-	-	-

Source: Thomson Reuters Eikon

13.4. Risks

The principal investment **risks** in Labomar include:

- the limited M&A track record;
- the increasing regulation or change in the regulatory framework;
- the ability to manage the investments and to find the sources to support growth;
- impact on economics and balance sheet profile triggered by a deep decline in global economic growth or geopolitical instability;
- the consolidation process of the reference market may put the company's market share under pressure;
- M&A execution might be hampered by potential consolidating actors in the industry with huge firepower (i.e. private equity funds).

ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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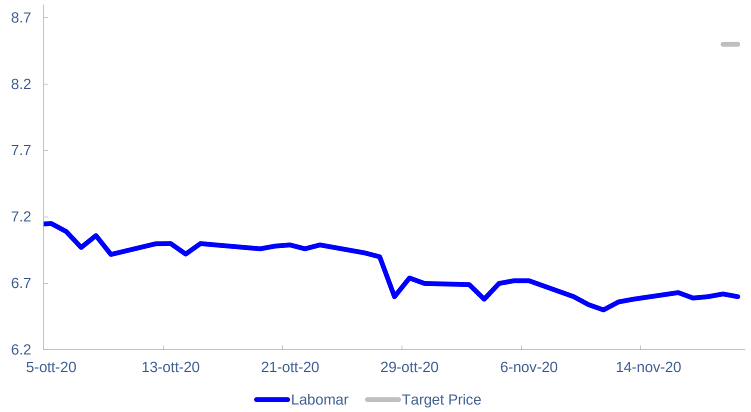

DATE	TARGET PRICE	RATING
23/11/2020	€8.50	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/ -15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

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