

Italy – Nutraceutical

FY-20 sales bang in line with expectations

5th February 2021

FY-20 REVENUES RELEASE

RIC: LBM.MI
BBG: LBM IM

The group reported FY-20 sales in line with CFO SIM projection. Thanks to its strong resiliency and ability to adapt to a challenging macroeconomic scenario the group was able to consolidate its competitive positioning, outperforming the sector. FY-20 results will be unveiled next 29-Mar.

Rating:

Buy

Price Target:

€ 8.50

Upside/(Downside): 10.7%

Last Price: € 7.68

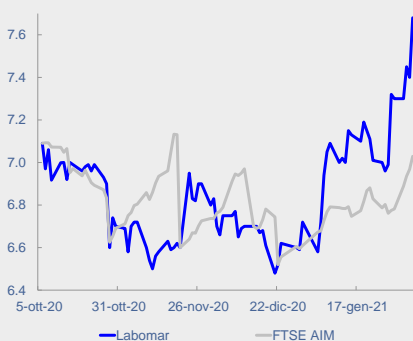
Market Cap.: € 142.8m

1Y High/Low: € 7.80 / € 6.38

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	8.9%	14.3%	n.a.
Rel.to AIM Italia	5.1%	-8.2%	n.a.
Rel.to Sector	8.2%	-11.7%	n.a.

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FY-20 preliminary sales at € 61.1m, bang in line with CFO SIM forecast

Labomar reported FY-20 preliminary sales bang-in-line with CFO SIM forecast: € 61.1m (€ 61.5m at constant FX), up 26.3% YoY (+27.2% YoY at constant FX), compared to our € 61.2m estimate. FY-20 results include ImportFab for 12 months (consolidated only for two months in FY-19). Labomar's stand-alone sales totalled € 51.8m vs. € 47.0m in FY-19. As a result, we estimate ImportFab sales at € 9.3m, down 3.1% compared to FY-19 pro-forma revenues of € 9.6m (up 1.2% at constant FX). As shown in the table below, in FY-20 Labomar stand-alone showed an acceleration realising a YoY increase of 10.2%, vs. a CAGR₁₇₋₁₉ of 5.9%. Organic growth more than counterbalanced the steady turnover of ImportFab. The latter was limited to the production of pharmaceuticals during the lockdown in Canada in H1-20, while the manufacturing of functional cosmetics was interrupted for almost 2 months.

Revenues, € m	2017	2018	2019	2020	CAGR ₁₇₋₁₉	CAGR ₁₇₋₂₀
Labomar stand-alone	41.9	43.5	47.0	51.8	5.9%	7.3%
Import Fab	-	-	1.4	9.3	-	-
Total	41.9	43.5	48.3	61.1	7.4%	13.4%
% YoY	-	3.8%	11.2%	26.3%	-	-

Source: CFO SIM elaboration on company data

New agreement with Bayer to develop and produce new Aspi Gola® Natura references

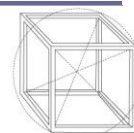
Recently Labomar signed a new commercial agreement with Bayer, strengthening a consolidated partnership established six years ago. Labomar will develop and produce 4 new references in different pharmaceutical flavours and forms, while Bayer will handle their distribution. This exclusive partnership is part of the recent range expansion of Bayer's Aspi Gola® line, which now features new ingredients in the Aspi Gola® Natura brand. The partnership with Bayer confirms that Labomar is a reference partner for customers looking for innovative and effective products, able to improve people's wellness.

Resiliency and ability to adapt to a challenging scenario: Buy confirmed

In a year characterised by the COVID-19 pandemic and the resulting economic slowdown, Labomar consolidated its growth showing strong resiliency and ability to adapt to a challenging macroeconomic scenario. Thanks to 1) the strong R&D effort, sustained by continuous investment, 2) the wide ready-to-market product portfolio, 3) the ability to manage several delivery forms and 4) the proactive go-to-market strategy, Labomar was able to further cement its trust-based relationships with several historical clients as well as to approach new markets. Estimates, the Buy recommendation and PT are confirmed. FY-20 results will be unveiled next 29-Mar.

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	-	-	1.0%	1.5%	1.7%
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	-	-	1.9%	1.8%	0.7%
PER x	-	-	24.6	20.7	18.2
EV/Sales x	-	-	2.34	1.98	1.74
EV/EBITDA x	-	-	11.6	9.7	8.4
EV/EBIT x	-	-	17.5	14.7	13.1

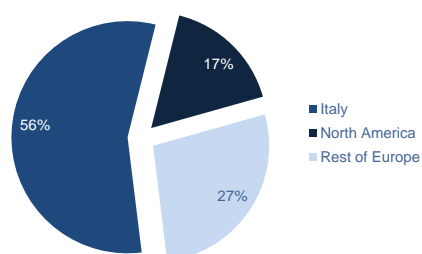


The Company at a Glance

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 CAGR₁₄₋₁₉ 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.

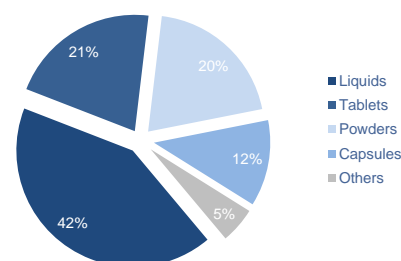
In 2019, pro-forma figures showed total revenues of € 57.4m, adjusted EBITDA of € 12.2m, 21.2% margin and adjusted Net Profit equal to € 5.7m (9.9% margin). Net Financial Position was € 28.7m, corresponding to 2.4x NFP/EBITDA adj. Considering Labomar stand alone, EBITDA/FCF conversion was amazing: 73%,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

2019 Revenues breakdown by geography*...



*including ImportFab

... and by pharmaceutical form**



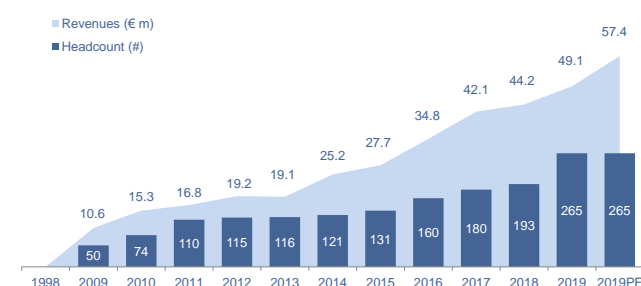
**Labomar stand alone

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



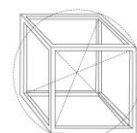
Peer group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Biosearch SA	2.88	2.61	26.5	16.9	55.0	26.6	71.8	33.6
Catalent Inc	5.50	4.95	21.8	19.1	28.5	25.2	38.5	33.7
Clover Corporation Ltd	3.37	2.36	20.2	12.8	21.2	13.3	28.3	18.5
Fine Foods & Pharmaceuticals NTM SpA	0.92	0.78	7.1	5.5	15.5	10.2	21.5	15.1
Jubilant Life Sciences Ltd	1.82	1.58	9.2	7.6	12.4	10.2	17.4	13.9
Lonza Group AG	8.05	7.21	26.6	22.9	35.7	30.3	41.0	35.5
Probi AB	7.19	6.72	25.0	23.1	39.7	36.2	55.1	49.1
Recipharm AB (publ)	2.22	2.00	11.5	9.9	24.3	18.2	33.3	24.0
Siegfried Holding AG	3.95	3.35	23.3	19.0	37.0	28.8	44.4	32.9
Median CDMO	3.37	2.61	21.8	16.9	28.5	25.2	38.5	32.9
Biesse SpA	1.08	0.96	13.8	9.5	38.5	19.5	68.0	29.4
Eurotech SpA	2.08	1.46	23.4	8.6	55.8	11.2	97.4	13.5
Freni Brembo SpA	1.91	1.66	10.9	8.8	22.9	16.2	30.8	20.8
Guala Closures SpA	1.67	1.50	9.3	8.0	18.5	14.6	86.9	27.5
Interpump Group SpA	3.52	3.11	15.9	13.6	22.7	18.4	30.6	24.5
Lu-Ve SpA	1.14	1.02	10.5	8.3	26.5	15.4	26.9	16.2
Prima Industrie SpA	0.83	0.64	11.7	6.9	190.6	15.9	n.m.	17.1
Median Domestic B2B	1.67	1.46	11.7	8.6	26.5	15.9	49.4	20.8
Labomar SpA	2.34	1.98	11.6	9.7	17.5	14.7	24.6	20.7

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



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.

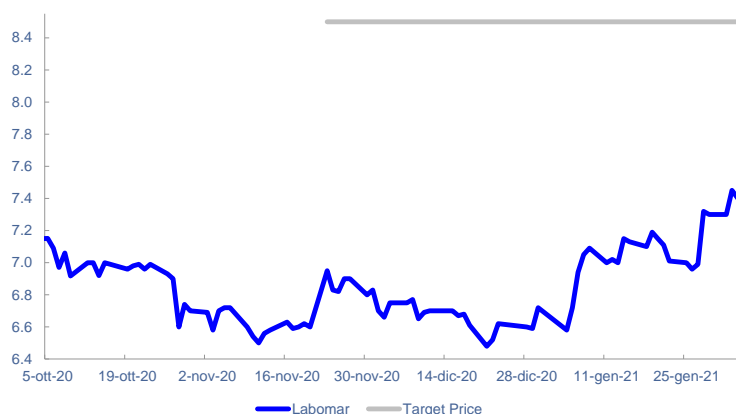
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DATE	TARGET PRICE	RATING
05/02/2021	€8.50	BUY
23/11/2020	€8.50	BUY

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RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- 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.

