Italy – Nutraceutical

Solid organic growth and margin resilience in a tough year

9th April 2021

FY-20 RESULTS RELEASE

RIC: LBM.MI
BBG: LBM IM

In a harsh scenario, Labomar reported a sharp increase in top-line and margins thanks to double-digit organic growth coupled with the ImportFab consolidation. Labomar is working on a few M&A targets: the group might close a deal in the very next few months, leaving room for further upside potential.

Rating:
Neutral (Buy)

Price Target:
€ 9.50 (€ 8.50)

Upside/(Downside): 0.2%

Last Price: € 9.48

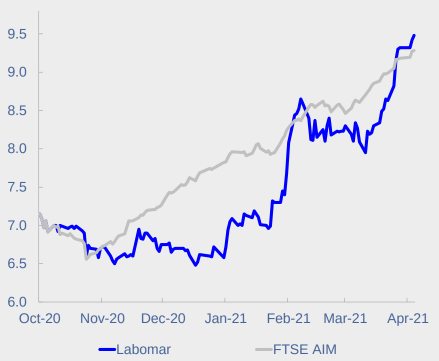
Market Cap.: € 174.6m

1Y High/Low: € 9.54 / € 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	**14.6%**	**34.5%**	**n.a.**
Rel.to AIM Italia	**7.0%**	**17.5%**	**n.a.**
Rel.to Sector	**11.5%**	**31.4%**	**n.a.**

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

New PT at € 9.50/s (€ 8.50), 0.2% upside: Neutral (Buy)

Labomar reported 2020 numbers bang-in-line with CFO SIM estimates. We have fine-tuned our model to factor in: 1) lower top-line growth, as a result of the temporarily decreasing demand for cough & cold products due to the pandemic; 2) a lighter tax rate thanks to the Patent Box; 3) a decrease in DSO, consistently with the 2020 trend, thanks to ImportFab's better terms of collection; 4) a redistribution of the capex plan related to the new L6 plant, now expected to be ready by end-24 instead of end-23. The combined result is an average 5.3% and 5.5% reduction in sales and EBITDA adj. in 2021-22. We have updated our DCF valuation criteria and postponed our first valuation projection by 1Y. The new DCF-based PT is set at € 9.50/s (€ 8.50), 0.2% upside. The limited upside to PT following the +58.0% stock price performance since last-Oct leads us to downgrade our rating to Neutral (Buy).

Double-digit organic growth coupled with ImportFab consolidation for 12 months

Revenues were € 61.1m, up by 26.3% YoY. Labomar's stand-alone revenues grew by 10.2% YoY (vs. a $CAGR_{17\text{-}19}$ of 5.9%) to € 51.8m, increasing the share of wallet of existing clients as well as approaching new markets and gaining new customers. ImportFab contributed to the group's top-line for € 9.3m (almost flat YoY). The latter was limited to the production of pharmaceuticals during the lockdown in Canada in H1-20, while the manufacturing of functional cosmetics was suspended for almost six weeks.

Adj. EBITDA margin at 20.0%, Net Profit benefited from the Patent Box

EBITDA adjusted for listing costs (€ 0.97m) was € 12.3m, 20.0% margin. Reported EBITDA totalled € 11.3m, 18.4% margin (vs € 9.1m, 18.5% margin in FY-19). The difference compared to our estimate of € 10.9m is mainly ascribable to lower-than-expected IPO costs booked to the P&L, which were directly deducted from the IPO proceeds, reducing net equity. Net Profit soared by 46.9% YoY to € 6.1m, 9.9% margin. At the beginning of March, Labomar signed an agreement with Agenzia delle Entrate (Italian tax revenue agency) for the tax benefit granted by the Patent Box regime for the 2016-20 period, obtaining a reduction in taxable income for a total amount of € 0.9m (not included in our old estimates).

IPO proceeds allow the group to pursue M&A opportunities

NFP declined to € 3.4m from € 28.7m at end-19, after 1) net IPO proceeds of € 24.8m, 2) operating cash-flow of € 8.4m, 3) capex of € 5.7m and 4) a dividend payment of € 1.9m. We point out that the IPO proceeds will be used mainly to pursue M&A opportunities. Labomar stated that at least one M&A deal could be closed by the end of the year. Ideal targets are 1) European companies with a significant international presence in order to have direct access to new geographical markets or 2) firms owning innovative patents and technological platforms able to improve and enlarge Labomar's product portfolio.

Labomar, key financials and ratios

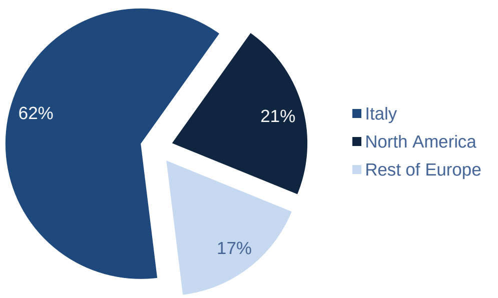
€ m	2019	2020	2021e	2022e	2023e
Value of Production	49.1	61.5	69.2	77.3	84.3
EBITDA Adjusted	9.7	12.3	14.1	16.2	18.1
EBIT Adjusted	6.4	8.2	9.5	10.7	11.8
Net Profit Adjusted	4.6	6.1	6.9	7.9	8.7
NFP (cash)/debt	28.7	3.4	1.5	(0.9)	(4.2)
EBITDA adj. margin	19.7%	20.0%	20.4%	21.0%	21.5%
EBIT adj. margin	13.0%	13.4%	13.7%	13.9%	14.0%
EPS	-	0.33	0.40	0.43	0.47
EPS growth	-	-	*20.0%*	*7.7%*	*10.7%*
Dividend	-	0.11	0.12	0.13	0.14
Dividend Yield	-	1.2%	1.3%	1.3%	1.5%
ROCE	12.4%	9.4%	12.1%	12.1%	12.4%
NWC/Sales	14.0%	10.2%	11.5%	11.5%	11.6%
Free Cash Flow Yield	-	1.6%	2.2%	2.6%	3.3%
PER x	-	20.5	25.1	22.2	20.0
EV/Sales x	-	2.09	2.54	2.25	2.02
EV/EBITDA x	-	10.4	12.5	10.7	9.4
EV/EBIT x	-	15.6	18.6	16.2	14.4

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 a 12.9% organic sales $CAGR_{14\text{-}20}$ 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 17.3% CAGR in the same period, resulting in a wider product portfolio and access to new countries.

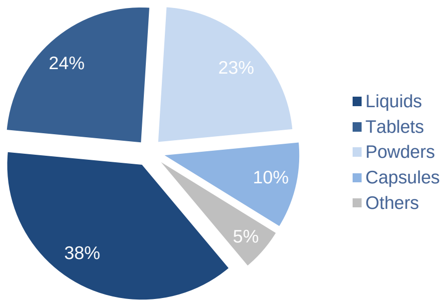
In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

2020 Revenues breakdown by geography*…



*including ImportFab

… and by pharmaceutical form**



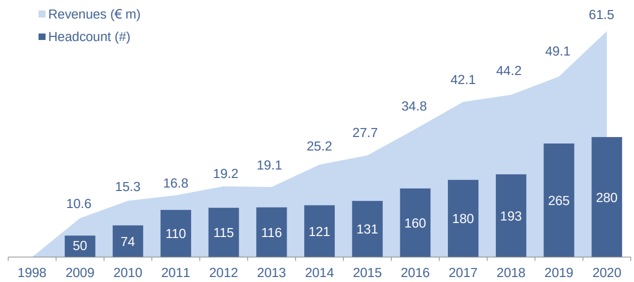
**Labomar stand alone

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	4.05	3.53	26.3	19.4	41.3	27.5	52.5	34.7
Catalent Inc	5.17	4.63	20.5	17.9	26.5	23.0	35.6	30.7
Clover Corporation Ltd	4.95	3.82	29.5	19.4	31.4	20.3	43.8	29.5
Fine Foods & Pharmaceuticals NTM SpA	0.92	0.74	6.5	5.0	11.7	8.5	18.0	14.2
Jubilant Pharmova Ltd	1.66	1.79	7.6	6.8	10.1	8.2	13.9	12.6
Lonza Group AG	7.94	6.99	26.1	22.3	34.9	29.5	39.9	34.5
Probi AB	6.36	5.72	21.9	19.4	32.3	27.5	43.4	37.9
Siegfried Holding AG	3.58	3.22	19.2	16.6	28.6	23.9	31.7	26.6
Median CDMO	**4.50**	**3.67**	**21.2**	**18.6**	**30.0**	**23.5**	**37.8**	**30.1**
Biesse SpA	1.02	0.85	10.4	7.2	19.9	11.6	34.6	20.5
Eurotech SpA	2.09	1.55	15.5	8.5	24.7	10.9	35.2	11.7
Freni Brembo SpA	1.58	1.46	8.5	7.7	15.7	13.4	20.4	17.5
Guala Closures SpA	1.51	1.40	8.1	7.4	16.4	14.3	29.3	22.9
Interpump Group SpA	3.42	3.13	14.9	13.4	19.8	17.7	26.3	23.8
Lu-Ve SpA	1.01	0.91	8.5	7.2	17.1	13.6	17.8	13.9
Prima Industrie SpA	0.85	0.73	9.4	7.1	21.7	15.9	32.7	16.4
Median Domestic B2B	**1.51**	**1.40**	**9.4**	**7.4**	**19.8**	**13.6**	**29.3**	**17.5**
Labomar SpA	**2.54**	**2.25**	**12.5**	**10.7**	**18.6**	**16.2**	**25.1**	**22.2**

Source: CFO Sim, Thomson Reuters Eikon

Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	48.3	61.1	68.3	76.8	83.7
Value of Production	49.1	61.5	69.2	77.3	84.3
Raw material and processing	(22.4)	(26.6)	(28.9)	(32.5)	(35.0)
Services	(7.3)	(10.0)	(10.4)	(10.8)	(11.8)
Personnel expenses	(10.1)	(13.5)	(15.1)	(17.6)	(19.1)
Other opex	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EBITDA	9.1	11.3	14.6	16.2	18.1
D&A	(3.3)	(4.0)	(4.6)	(5.5)	(6.3)
EBIT	5.8	7.3	10.0	10.7	11.8
Financials	(0.2)	(0.9)	(0.4)	(0.4)	(0.4)
Re/(Devaluation) of financial assets	0.0	0.5	0.0	0.0	0.0
Forex gain/(loss)	(0.1)	0.0	0.0	0.0	0.0
Pre-Tax profit	5.6	6.9	9.6	10.3	11.4
Income taxes	(1.4)	(0.8)	(2.2)	(2.4)	(2.7)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	4.1	6.1	7.3	7.9	8.7
EBITDA Adjusted	9.7	12.3	14.1	16.2	18.1
EBIT Adjusted	6.4	8.2	9.5	10.7	11.8
Net Profit Adjusted	4.6	6.1	6.9	7.9	8.7

Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	6.9	6.3	8.0	8.9	9.8
Net Fixed Assets	33.9	36.0	37.8	40.8	43.1
Equity Investments	1.4	1.9	1.9	1.9	1.9
Other M/L Term A/L	(3.5)	(2.6)	(2.7)	(3.3)	(3.4)
Net Invested Capital	38.6	41.6	45.0	48.3	51.3
Net Financial Debt	28.7	3.4	1.5	(0.9)	(4.2)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	9.9	38.2	43.5	49.2	55.5
Financial Liabilities & Equity	38.6	41.6	45.0	48.3	51.3

Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	4.1	6.1	7.3	7.9	8.7
Depreciation	3.3	4.0	4.6	5.5	6.3
Other non-cash charges	1.4	(2.3)	0.1	0.6	0.1
Cash Flow from Oper. (CFO)	8.8	7.9	12.1	14.0	15.1
Change in NWC	(1.6)	0.6	(1.7)	(0.9)	(0.9)
FCF from Operations (FCFO)	7.2	8.4	10.4	13.1	14.2
Net Investments (CFI)	(24.2)	(5.7)	(6.5)	(8.5)	(8.5)
Free CF to the Firm (FCFF)	(17.0)	2.7	3.9	4.6	5.7
CF from financials (CFF)	24.2	20.1	(2.0)	(2.2)	(2.4)
Free Cash Flow to Equity (FCFE)	7.3	22.8	1.9	2.4	3.3

Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	19.7%	20.0%	20.4%	21.0%	21.5%
EBIT adj. margin	13.0%	13.4%	13.7%	13.9%	14.0%
Net profit adj. margin	9.3%	9.9%	10.0%	10.2%	10.4%
Tax rate	25.5%	11.6%	23.5%	23.5%	23.5%
Op NWC/Sales	14.0%	10.2%	11.5%	11.5%	11.6%
Interest coverage x	24.24	8.23	23.02	24.72	27.27
Net Debt/EBITDA x	3.15	0.30	0.10	(0.06)	(0.23)
Debt-to-Equity x	2.90	0.09	0.03	(0.02)	(0.08)
ROIC	10.7%	14.7%	16.2%	16.3%	17.0%
ROCE	12.4%	9.4%	12.1%	12.1%	12.4%
ROACE	16.5%	11.7%	12.5%	12.5%	12.8%
ROE	41.9%	15.9%	16.8%	16.0%	15.7%
Payout ratio	-	33.4%	30.0%	30.0%	30.0%

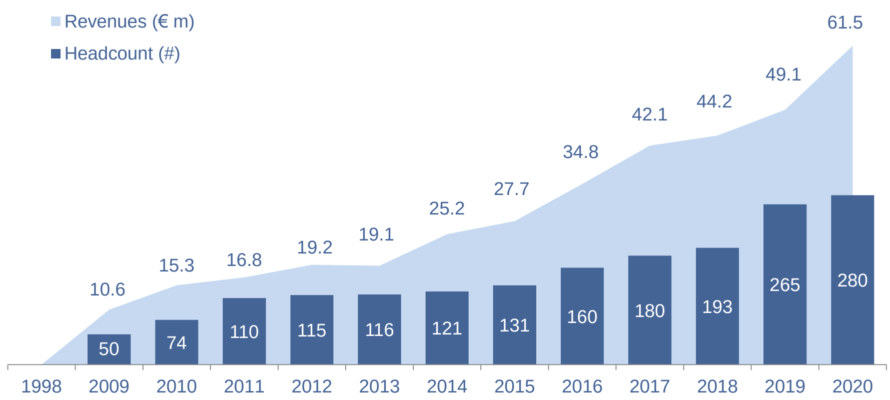
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	-	18.48	18.48	18.48	18.48
Number of shares Fully Diluted # m	-	18.48	18.48	18.48	18.48
Average Number of shares Fully Diluted # m	-	18.48	18.48	18.48	18.48
EPS stated FD €	-	0.33	0.40	0.43	0.47
EPS adjusted FD €	-	0.33	0.38	0.43	0.47
EBITDA €	-	0.61	0.79	0.88	0.98
EBIT €	-	0.39	0.54	0.58	0.64
BV €	-	2.07	2.35	2.66	3.01
FCFO €	-	0.46	0.56	0.71	0.77
FCFF €	-	0.15	0.21	0.25	0.31
FCFE €	-	1.24	0.10	0.13	0.18
Dividend €	-	0.11	0.12	0.13	0.14

1. 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 **12.9% organic sales CAGR$_{14\text{-}20}$** 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 17.3% CAGR** in the same period, resulting in a wider product portfolio and access to new countries.

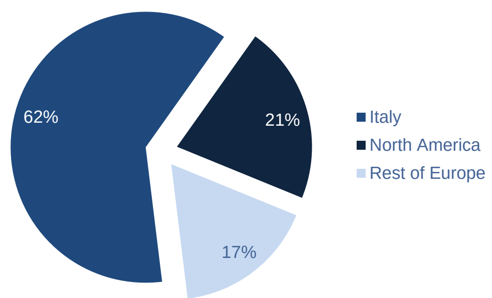
Chart 1 – Labomar, 2009-20 top line and headcount evolution

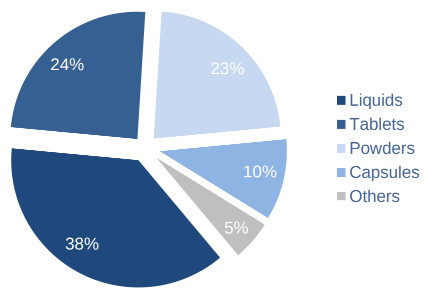


Source: CFO SIM elaboration on AIDA and Company data

After the acquisition of ImportFab, **the group's global export sales account for 38%** of total. In terms of dosage form, 38% of Labomar's turnover comes from liquids, 24% from tablets, 23% from powders, 10% from capsules and the remaining 5% from other dosage forms. Moreover, **30% of revenues derive from proprietary patents, patent applications and know-how:** the group has **17 proprietary patent families** (two of which are jointly-owned with a third party).

Chart 2 – Labomar, 2020 top line breakdown by geography* and dosage form**

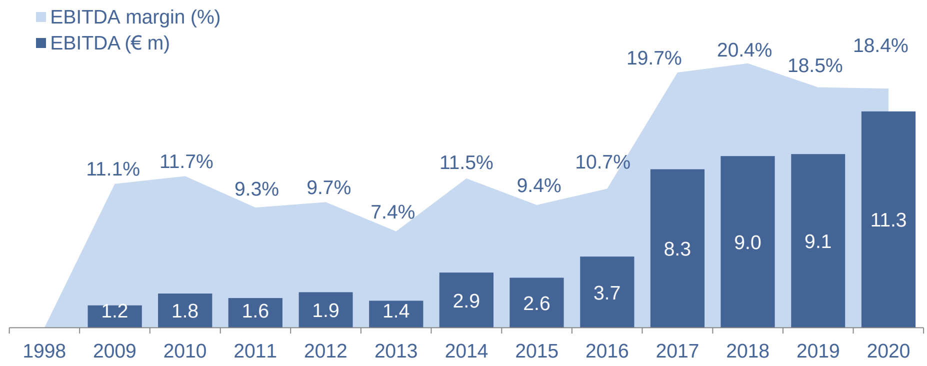




Source: Company data **including ImportFab* *** Labomar stand alone*

In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

Chart 3 – Labomar, 2009-20 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, patent 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** (tablets, capsules, liquids, powders and semi-solids).

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. Since 2014, Labomar has been increasing the **share of wallet** with its customers, reaching on average **€ 309k per client in 2020** (+56.5% over the last 6 years). As of today, the group provides its clients with **more than 1,500 different Stock Keeping Units (SKUs)** per year, with **€ 54k revenues per SKU on average**.

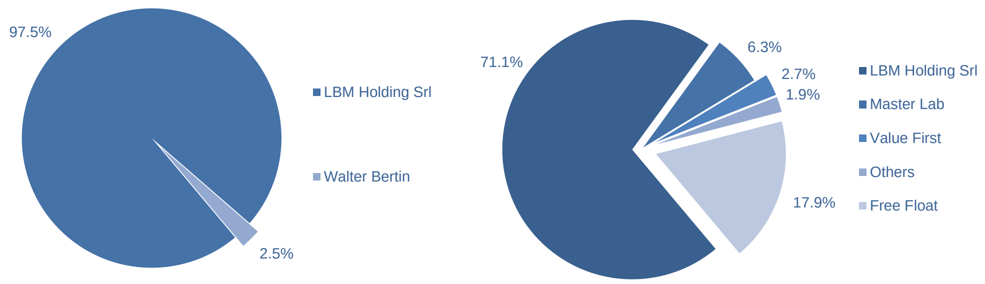
Labomar has a unique salesforce compared to other CDMOs. As of today, it comprises **12 Business Development Managers – BDMs**, namely professionals with high seniority and a good relationship network in the pharmaceutical sector. Each BDM has a portfolio of about 20 clients and works closely with a 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 120 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.

Furthermore, Labomar pays great attention to **ESG principles**, both in terms of sustainability and circular economy as well as the well-being of its employees and the local community. Labomar became a Benefit company in August 2020 and its goal is to achieve the **B-CORP certification** by the end of 2021, drawing up its first **Annual Impact Report**. The group identified 13 KPIs according to the GRI (Global Reporting Initiative) standards in order to report its economic, social and environmental performances. In particular, a strong focus is placed on the supply chain: all the suppliers have to be reliable, qualified and constantly monitored in order to respect the highest sustainability standards.

2. IPO Structure

The IPO encompassed a **primary offering for a total amount of € 26.0m.** Moreover, an overallotment **greenshoe 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 4 – Labomar, pre- and post-IPO shareholder structure (after greenshoe exercise)



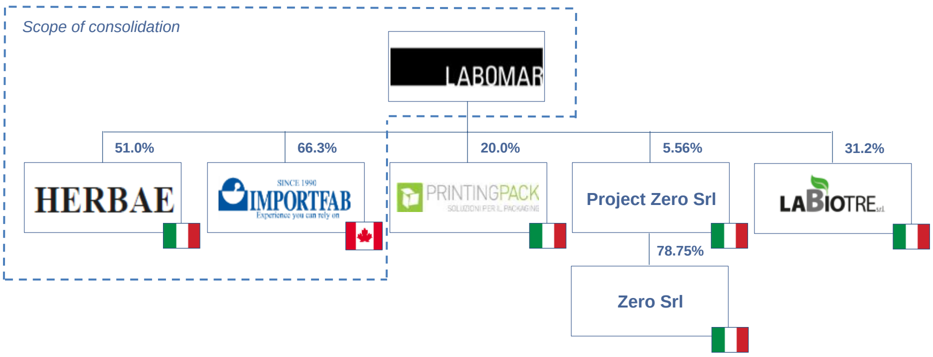
Source: Company data

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 greenshoe 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's 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 5 – 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 incorporated Canadian 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 78.75% 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. The BoD will propose to the next AGM the enlargement of the board from 6 to 7 members, appointing Mr. Ugo Di Francesco, CEO of Chiesi Farmaceutici SpA.

Chart 6 – 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

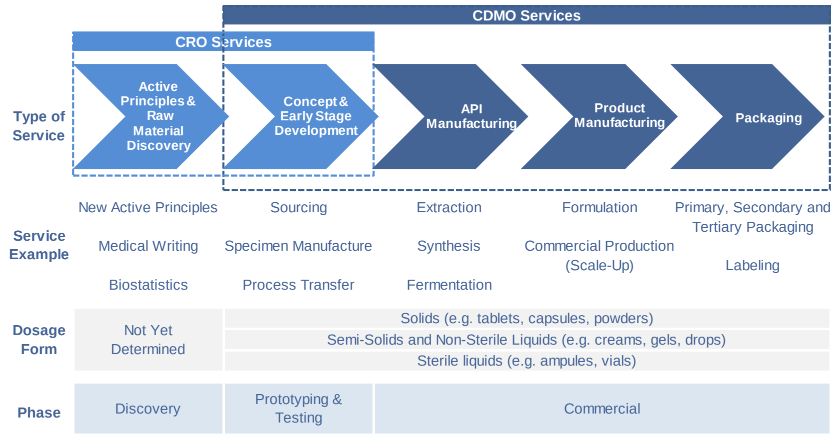
Labomar has a **structured management team** composed of several key relevant people:

- **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 board member of Federsalus 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.
- **Claudio Crespan** joined Labomar in 2021 as **CFO**. He has 15 years of experience as CFO and in M&A within international structured companies, as well as previous experience in one of the "Big 4" auditing firms. Furthermore, he is vice president of the North East division of ANDAF (the CFO Italian association).
- **Ivan Natali** joined Labomar in 2021 as **COO**. Before joining Labomar he gathered several years of experience in a few big pharmaceutical multinationals. He worked first as Analytical Lab Supervisor for Pharmacia & Upjohn, then covering a series of increasingly responsible roles in the field of quality control for Jansenn Cilag, Dompè Farmaceutici and Merck Sharp & Dome. Furthermore he was Plant General Manager in Baxter International.
- **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.

3. 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. In order to reduce the risk of overcapacity, which would be very expensive, the demand for outsourced manufacturing is continuously increased.

Chart 7 – Labomar, overview of CRO and CDMO services

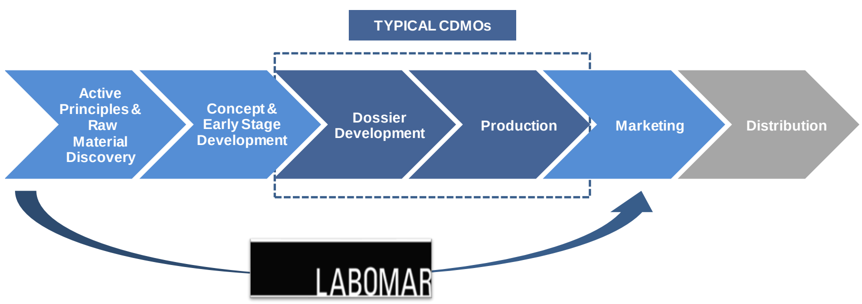


Source: PwC, Current trend and strategic options in the pharma CDMO market

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.

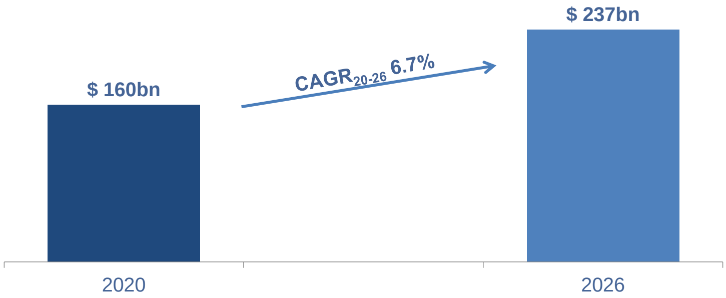
Chart 8 – Labomar, one-stop-shop CDMO



Source: Company presentation

The leading CDMOs, as well as Labomar being one of them, are clearly committed to broaden the service offering in consistency with the one-stop-shop model, becoming **fully integrated players offering their clients services across the entire product life-cycle**, from discovery to packaging, as well as across all key geographies. **One-stop-shop CDMOs** stand out for 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 9 – Global CDMO market



Source: Mordor Intelligence

The **global CDMO market** is anticipated to reach **$ 160bn in 2020** and to grow until **$ 237bn in 2026,** showing a **6.7% CAGR$_{20\text{-}26}$**, driven by the increasing incidence of drug development and manufacturing outsourcing by pharma and biotech companies.

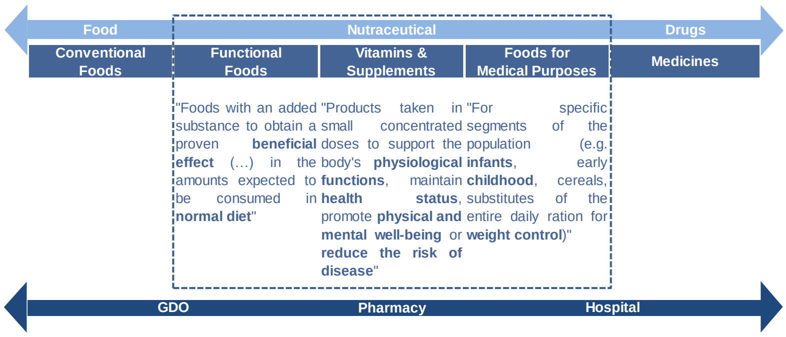
The Asian Pacific region, namely China and India, continues to be the leading growth market in the CDMO industry due to considerably lower manufacturing costs than in North America and Europe and favourable regulations. While **China and India have established themselves as major suppliers of active 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.

3.1. 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.

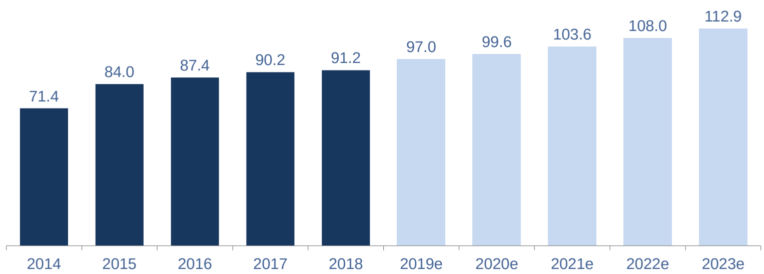
Chart 11 – Labomar, nutraceutical segment



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.**

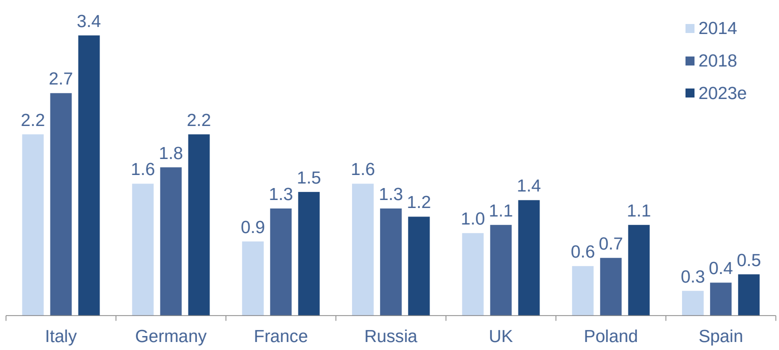
Chart 10 – Global vitamins & dietary supplements market trend - € bn



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



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

3.2. 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 12 – 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 cost 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.

3.3. The 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). 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.

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 product portfolio is broader than its competitors' and includes food supplements, medical devices, food for special medical purposes, functional foods and functional cosmetics.

Chart 13 – 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

4. 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 2024 and we anticipate Labomar will be investing between € 15m and € 20m overall in 2020-24. Please be reminded that 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.

5. 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. R&D 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 Italian-based plants' capacity utilisation is almost 65%, whereas that of ImportFab's plants is around 40-50%. Labomar has adequate capacity to sustain growth and plenty of room to maintain flexibility.
- **Well-balanced client base**. The top fifteen clients account for 57% of 2020 turnover: the first five represent 29% and the following ten 28%. Of said 57%, 32% is accounted for by customers that have been loyal for more than 10 years and the remainder by those who have for more than 5 years. Labomar is their reliable R&D, developing, producing and technology solution partner. In the last six years, the share of wallet increased by 56.5% to € 309k 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 14 – 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 have more than 5Y seniority Clients tend to externalise R&D and production rather than vertically integrate Share of wallet increased 56.5% in 2014-20	+ + +/-	+/-
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

6. 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	Relatively small number of **publications/clinical studies** (19)
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

7. FY-20 Results

Labomar reported FY-20 results bang-in-line with CFO SIM estimates: top-line showed a sharp increase, thanks to double-digit organic growth as well as to the 12-month consolidation of ImportFab. Bottom line came in better-than-expected as a result of the tax benefit granted by the Patent Box for the 2016-20 period. Despite the pandemic, Labomar was able to further cement its trust-based relationships with several historical clients as well as to approach new markets and gain new customers, leveraging its strong R&D effort, sustained by continuous investments.

Table 1 – Labomar, FY 2020-19 results summary

€ m	2020	2019	% YoY	2020e	% diff.
Revenues	**61.1**	**48.3**	***26.3***	**61.2**	***(0.2)***
Other revenues	0.4	0.8		0.9	
Value of Production	**61.5**	**49.1**	***25.1***	**62.0**	***(0.9)***
Raw material and processing	(26.6)	(22.4)		(26.4)	
Services	(10.0)	(7.3)		(9.0)	
Personnel expenses	(13.5)	(10.1)		(14.0)	
Other opex	(0.2)	(0.2)		(1.8)	
EBITDA	**11.3**	**9.1**	***24.5***	**10.9**	***3.5***
% margin	*18.4*	*18.5*		*17.6*	
D&A	(4.0)	(3.3)		(4.2)	
EBIT	**7.3**	**5.8**	***25.0***	**6.7**	***8.1***
% margin	*11.8*	*11.8*		*10.9*	
Financials	(0.4)	(0.2)		(0.4)	
Pre-Tax profit	**6.9**	**5.6**	***23.8***	**6.3**	***9.1***
% margin	*11.2*	*11.3*		*10.2*	
Income taxes	(0.8)	(1.4)		(1.7)	
Tax rate	*11.6%*	*25.5%*		*26.5%*	
Minorities	0.0	0.0		0.0	
Net Profit	**6.1**	**4.1**	***46.9***	**4.6**	***31.3***
% margin	*9.9*	*8.4*		*7.5*	
EBITDA adj.	**12.3**	**9.7**	***27.1***	**12.5**	***(1.7)***
% margin	*20.0*	*19.7*		*20.2*	
Net Profit adj.	**6.1**	**4.6**	***33.8***	**5.8**	***5.5***
% margin	*9.9*	*9.3*		*9.3*	
Net Financial Position	**3.4**	**28.7**	***(88.0)***	**2.5**	***35.8***
Net Equity	**38.2**	**9.9**	***n.m.***	**38.0**	***0.7***

Source: Company data, CFO SIM estimates

Revenues were € 61.1m, up by 26.3% YoY. Labomar's stand-alone revenues grew by 10.2% YoY (vs. a $CAGR_{17-19}$ of 5.9%) reaching € 51.8m, while ImportFab contributed to the group's top-line for € 9.3m (almost flat YoY). The latter was limited to the production of pharmaceuticals during the lockdown in Canada in H1-20, while the manufacturing of functional cosmetics was suspended for almost six weeks.

EBITDA adjusted for listing costs (€ 0.97m) **was € 12.3m, 20.0% margin**. Reported EBITDA totalled € 11.3m, 18.4% margin (vs € 9.1m, 18.5% margin in FY-19). The difference compared to our estimate of € 10.9m is mainly ascribable to lower-than-expected IPO costs booked to P&L for € 0.3m, which were directly deducted from the IPO proceeds, reducing net equity.

Net Profit soared by 46.9% YoY to **€ 6.1m, 9.9% margin.** At the beginning of March, Labomar signed an agreement with Agenzia delle Entrate (Italian tax revenue agency) for the tax benefit granted by the Patent Box regime for the 2016-20 period, obtaining a reduction in taxable income for a total amount of € 0.9m (not included in our old estimates).

Net Financial Position declined to **€ 3.4m** from € 28.7m at end-19, after 1) net IPO proceeds of € 24.8m, 2) operating cash-flow of € 8.4m, 3) capex of € 5.7m and 4) a dividend payment of € 1.9m.

8. Valuation & Risks

In 2020, Labomar reported a sharp increase both in top-line and margins thanks to double-digit organic growth as well as to the 12-month consolidation of ImportFab. In H2-20 as well as in the first months of 2021, a **temporary slowdown in the demand for drugs and medical devices for the care of respiratory systems** was evident. Social distancing and the use of face masks almost completely zeroed seasonal diseases, such as cough and cold. Nevertheless, the company saw an increase in the demand for products of other therapeutic areas (e.g. gastrointestinal, nervous, etc.). In addition, **Labomar extended its catalogue of ready-to-market products to 120 SKUs** to better intercept all the heterogeneous needs of its existing and potential clients.

Furthermore, the subsidiary Herbae will become operational in the next months with the new name of **Labomar Next**, starting the production of **cannabis** for pharmaceutical use. Nevertheless, it is worth mentioning that **no opportunities stemming from the cannabis business are included in our estimates.**

On the back of FY-20 results **we have fine-tuned our model** to factor in: 1) lower top-line growth, as a result of the aforementioned temporary decreasing demand for cough & cold products due to the pandemic; 2) a lighter tax rate thanks to the Patent Box application (23.5% vs. our previous estimate of 26.5%); 3) a decrease in DSO, consistently with the 2020 trend, thanks to ImportFab's better terms of collection; 4) a redistribution of the capex plan related to the new L6 plant, now expected to be ready by end-24 instead of end-23; 5) a FY-20 DPS of € 0.11/s (vs our estimate of € 0.08/s). The combined result is an average **5.3% and 5.5% reduction in revenues and EBITDA adj. in 2021-22**. We also introduced estimates for 2023.

Table 2 – Labomar, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**69.2**	**72.7**	***(4.7)***	**(3.4)**
EBITDA	**14.6**	**15.3**	***(4.5)***	**(0.7)**
% margin	*21.1*	*21.1*		
EBIT	**10.0**	**10.3**	***(3.2)***	**(0.3)**
% margin	*14.4*	*14.2*		
Net Profit	**7.3**	**7.3**	***0.4***	**0.0**
% margin	*10.6*	*10.0*		
Y/E net debt/(cash)	**1.5**	**1.3**	***10.1***	**0.1**

Source: CFO Sim

Table 3 – Labomar, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**77.3**	**83.4**	***(7.3)***	**(6.1)**
EBITDA	**16.2**	**17.3**	***(6.4)***	**(1.1)**
% margin	*21.0*	*20.8*		
EBIT	**10.7**	**11.1**	***(3.1)***	**(0.3)**
% margin	*13.9*	*13.3*		
Net Profit	**7.9**	**7.8**	***0.6***	**0.0**
% margin	*10.2*	*9.4*		
Y/E net debt/(cash)	**(0.9)**	**2.5**	***n.m.***	**(3.5)**

Source: CFO Sim

Moreover, CFO Sim has **updated the DCF valuation criteria**, bringing the Free Risk Rate up-to-date, and postponed its first valuation projection to 2021. The combined result is a **new PT of € 9.50/s** (€ 8.50), with an upside of 0.2% to current price levels.

We also updated our market multiples valuation to corroborate the value obtained by the DCF model. By applying the B2B peer group's EV/EBITDA and PER multiple median to Labomar's metrics, we attain an appraisal of Labomar to the tune of € 9.10/s (€ 8.80), using estimates and multiples of 2021.

LBM's stock price performance YTD and since IPO were 41.1% and 58.0%, respectively: **the limited upside to PT leads us to downgrade our rating to Neutral** (Buy). Nevertheless, during the conference call commenting the FY-20 results, the company said that at least one M&A deal could be closed by the end of the year, leaving room for further upside potential. Ideal targets are 1) European companies with a significant international presence in order to have direct access to new geographical markets or 2) firms owning innovative patents and technological platforms able to improve and enlarge Labomar's product portfolio.

8.1. DCF

In the valuation via the DCF method, we assess explicit estimates until 2025 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 4 – WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	23.5%
Int. costs, after taxes	**1.1%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	0.86%
Beta levered (x)	1.00
Required ROE	**9.9%**

Source: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the AIM Italia market segment related concerns and disquiet that an investor might have. **Beta** has prudentially been 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 0.85x. The WACC is computed by using a sustainable 40:60 debt/equity balance-sheet structure.

Table 5 – Labomar, DCF model

€ m	**2021e**	**2022e**	**2023e**	**2024e**	**2025e**	**Term. Val.**
EBIT	10.0	10.7	11.8	13.0	14.3	
Tax rate	23.5%	23.5%	23.5%	23.5%	23.5%	
Operating profit (NOPAT)	**7.6**	**8.2**	**9.1**	**10.0**	**11.0**	
Change working capital	(1.7)	(0.9)	(0.9)	(0.5)	(0.1)	
Depreciation	4.6	5.5	6.3	6.0	5.0	
Investments	(6.5)	(8.5)	(8.5)	(5.0)	(5.0)	
Free Cash Flows	**4.1**	**4.3**	**5.9**	**10.5**	**10.9**	**205.0**
Present value	3.9	3.9	5.0	8.3	8.1	**153.0**
WACC	6.4%	6.4%	6.4%	6.4%	6.4%	
Long-term growth rate	**1.0%**					

Source: CFO SIM

Table 6 – Labomar, DCF derived from:

€ m	
Total EV present value € m	182.3
thereof terminal value	*83.9%*
NFP last reported	(3.4)
Pension provision	(2.6)
Equity value € m	**176.4**
#m shares	18.48
Equity value €/s	**9.50**
% upside/(downside)	*0.2%*

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 176.4m**, which corresponds to **€ 9.50/s** (€ 8.50), with a potential upside of 0.2%.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 8.47-10.96/s (perpetuity range between 0.25% and 1.75%)**, while 2) compared to changes in the free risk rate it produces an equity value of **€ 8.73-10.50/s (free risk range between 1.61% and 0.11%)** and 3) compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 8.04-11.66/s (risk premium range between 10.5% and 7.50%)**.

Table 7 – 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	29.3	29.3	29.3	29.3	29.3	29.3	29.3
PV of terminal value	133.3	139.3	145.9	153.0	160.9	169.6	179.2
Total value	**162.6**	**168.6**	**175.2**	**182.3**	**190.2**	**198.9**	**208.5**
NFP last reported	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	**156.6**	**162.7**	**169.2**	**176.4**	**184.2**	**192.9**	**202.5**
Equity value/share €	**8.47**	**8.80**	**9.15**	**9.50**	**9.97**	**10.44**	**10.96**

Source: CFO SIM

Table 8 – Labomar, equity value sensitivity to changes in free risk rate

€ m	0.11%	0.36%	0.61%	0.86%	1.11%	1.36%	1.61%
Present value of CF	29.7	29.5	29.4	29.3	29.1	29.0	28.9
PV of terminal value	170.4	164.3	158.5	153.0	147.9	143.0	138.4
Total value	**200.1**	**193.8**	**187.9**	**182.3**	**177.0**	**172.1**	**167.3**
NFP last reported	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	**194.1**	**187.9**	**182.0**	**176.4**	**171.1**	**166.1**	**161.4**
Equity value/share €	**10.50**	**10.16**	**9.84**	**9.50**	**9.26**	**8.99**	**8.73**

Source: CFO SIM

Table 9 – 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	30.1	29.8	29.5	29.3	29.0	28.8	28.5
PV of terminal value	191.4	176.9	164.3	153.0	143.0	134.1	126.0
Total value	**221.4**	**206.8**	**193.8**	**182.3**	**172.1**	**162.8**	**154.5**
NFP last reported	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	**215.5**	**200.8**	**187.9**	**176.4**	**166.1**	**156.9**	**148.5**
Equity value/share €	**11.66**	**10.86**	**10.16**	**9.50**	**8.99**	**8.49**	**8.04**

Source: CFO SIM

8.2. 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 selected 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.

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 nanoPCs 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's sales CAGR and EBITDA margin prove to be broadly in line with the CDMO median**.

Table 10 – Labomar, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{20-23}$	EBITDA $CAGR_{20-23}$	EBIT $CAGR_{20-23}$	Net Profit $CAGR_{21-23}$	NFP/ EBITDA FY1
Biosearch SA	E	123	31	5	15.4%	n.a.	n.a.	n.a.	n.a.	0.3
Catalent Inc	US	15,351	3,283	827	25.2%	12.9%	20.8%	31.0%	19.0%	2.0
Clover Corporation Ltd	AUS	206	42	7	16.8%	3.3%	2.0%	1.9%	35.6%	0.3
Fine Foods & Pharmaceuticals NTM SpA	IT	234	216	31	14.1%	16.7%	31.7%	46.9%	14.4%	n.m.
Jubilant Pharmova Ltd	IND	1,267	915	200	21.8%	5.1%	6.0%	7.8%	11.0%	1.3
Lonza Group AG	CH	36,202	4,847	1,473	30.4%	11.6%	10.6%	17.4%	13.2%	1.6
Probi AB	SWE	504	75	22	29.0%	6.4%	9.3%	14.2%	12.1%	n.m.
Siegfried Holding AG	CH	3,071	969	180	18.6%	11.8%	20.7%	27.4%	11.9%	2.2
Median CDMO		**885**	**566**	**105**	**20.2%**	**11.6%**	**10.6%**	**17.4%**	**13.2%**	**1.4**
Biesse SpA	IT	651	650	64	9.8%	10.3%	26.5%	68.7%	48.9%	0.2
Eurotech SpA	IT	182	80	11	13.5%	16.7%	54.7%	99.3%	112.5%	n.m.
Freni Brembo SpA	IT	3,614	2,475	458	18.5%	8.5%	13.0%	24.0%	16.1%	0.6
Guala Closures SpA	IT	520	629	118	18.7%	5.9%	10.0%	28.5%	20.1%	3.6
Interpump Group SpA	IT	4,683	1,429	327	22.9%	7.9%	10.2%	11.7%	9.7%	0.6
Lu-Ve SpA	IT	332	435	52	12.0%	7.5%	11.9%	26.6%	19.2%	2.1
Prima Industrie SpA	IT	235	395	36	9.0%	14.5%	28.8%	52.8%	105.2%	2.8
Median Domestic B2B		**520**	**629**	**64**	**13.5%**	**8.5%**	**13.0%**	**28.5%**	**20.1%**	**1.4**
Labomar SpA	**IT**	**175**	**69**	**14**	**20.4%**	**11.1%**	**13.8%**	**12.8%**	**12.1%**	**0.1**

Source: CFO SIM, Thomson Reuters Eikon

Table 11 – Labomar, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Biosearch SA	4.05	3.53	n.a.	26.3	19.4	n.a.
Catalent Inc	5.17	4.63	4.15	20.5	17.9	15.9
Clover Corporation Ltd	4.95	3.82	3.32	29.5	19.4	16.0
Fine Foods & Pharmaceuticals NTM SpA	0.92	0.74	0.66	6.5	5.0	4.3
Jubilant Pharmova Ltd	1.66	1.79	1.57	7.6	6.8	5.9
Lonza Group AG	7.94	6.99	6.54	26.1	22.3	20.2
Probi AB	6.36	5.72	5.19	21.9	19.4	17.4
Siegfried Holding AG	3.58	3.22	3.10	19.2	16.6	15.5
Median CDMO	**4.50**	**3.67**	**3.32**	**21.2**	**18.6**	**15.9**
Biesse SpA	1.02	0.85	0.72	10.4	7.2	5.8
Eurotech SpA	2.09	1.55	1.21	15.5	8.5	5.4
Freni Brembo SpA	1.58	1.46	1.33	8.5	7.7	6.9
Guala Closures SpA	1.51	1.40	1.31	8.1	7.4	6.9
Interpump Group SpA	3.42	3.13	2.83	14.9	13.4	12.1
Lu-Ve SpA	1.01	0.91	0.83	8.5	7.2	6.4
Prima Industrie SpA	0.85	0.73	0.55	9.4	7.1	4.2
Median Domestic B2B	**1.51**	**1.40**	**1.21**	**9.4**	**7.4**	**6.4**
Labomar SpA	**2.54**	**2.25**	**2.02**	**12.5**	**10.7**	**9.4**
% premium/(discount) to CDMO	*(43.5)*	*(38.8)*	*(39.1)*	*(41.4)*	*(42.6)*	*(40.9)*
% premium/(discount) to Domestic B2B	*68.9*	*60.8*	*66.5*	*32.8*	*45.2*	*45.9*

Source: CFO SIM, Thomson Reuters Eikon

Table 12 – Labomar, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Biosearch SA	41.3	27.5	n.a.	52.5	34.7	n.a.
Catalent Inc	26.5	23.0	20.3	35.6	30.7	25.1
Clover Corporation Ltd	31.4	20.3	16.7	43.8	29.5	23.8
Fine Foods & Pharmaceuticals NTM SpA	11.7	8.5	7.7	18.0	14.2	13.7
Jubilant Pharmova Ltd	10.1	8.2	7.2	13.9	12.6	11.3
Lonza Group AG	34.9	29.5	26.0	39.9	34.5	31.1
Probi AB	32.3	27.5	24.3	43.4	37.9	34.6
Siegfried Holding AG	28.6	23.9	22.3	31.7	26.6	25.3
Median CDMO	**30.0**	**23.5**	**20.3**	**37.8**	**30.1**	**25.1**
Biesse SpA	19.9	11.6	8.5	34.6	20.5	15.6
Eurotech SpA	24.7	10.9	6.5	35.2	11.7	7.8
Freni Brembo SpA	15.7	13.4	11.4	20.4	17.5	15.1
Guala Closures SpA	16.4	14.3	12.9	29.3	22.9	20.3
Interpump Group SpA	19.8	17.7	15.9	26.3	23.8	21.8
Lu-Ve SpA	17.1	13.6	11.8	17.8	13.9	12.6
Prima Industrie SpA	21.7	15.9	9.1	32.7	16.4	7.8
Median Domestic B2B	**19.8**	**13.6**	**11.4**	**29.3**	**17.5**	**15.1**
Labomar SpA	**18.6**	**16.2**	**14.4**	**25.1**	**22.2**	**20.0**
% premium/(discount) to CDMO	*(38.1)*	*(31.0)*	*(29.1)*	*(33.4)*	*(26.3)*	*(20.4)*
% premium/(discount) to Domestic B2B	*(6.3)*	*18.9*	*26.3*	*(14.3)*	*26.9*	*32.6*

Source: CFO SIM, Thomson Reuters Eikon

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 main clients, in order to obtain a fair appraisal of Labomar. Labomar is a freshman entering the financial market: it needs to build a track record and earn investor trust in the long run bit by bit. Thus, by applying the EV/EBITDA and PER median of B2B peer group to Labomar's metrics we attain an **appraisal of Labomar to the tune of € 9.10/s (8.80)**, using 2021 estimates and multiples.

Table 13 – Labomar, equity value assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Median Peers Domestic B2B (x)	**1.51**	**1.40**	**1.21**	**9.4**	**7.4**	**6.4**
Labomar metric	69.2	77.3	84.3	14.1	16.2	18.1
NFP	(1.5)	0.9	4.2	(1.5)	0.9	4.2
Labomar Equity Value	**102.8**	**108.9**	**106.5**	**131.1**	**120.6**	**121.0**
Labomar Equity Value/share €	**5.56**	**5.89**	**5.76**	**7.10**	**6.52**	**6.55**
% upside/(downside)	*(41.4)*	*(37.8)*	*(39.2)*	*(25.2)*	*(31.2)*	*(30.9)*

Source: CFO SIM, Thomson Reuters Eikon

Table 14 – Labomar, equity value assessment, 2#3

€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers Domestic B2B (x)	**19.8**	**13.6**	**11.4**	**29.3**	**17.5**	**15.1**
Labomar metric	9.5	10.7	11.8	6.9	7.9	8.7
NFP	(1.5)	0.9	4.2			
Labomar Equity Value	**186.5**	**147.0**	**139.2**	**203.6**	**137.6**	**131.7**
Labomar Equity Value/share €	**10.09**	**7.95**	**7.53**	**11.02**	**7.45**	**7.12**
% upside/(downside)	*6.4*	*(16.1)*	*(20.6)*	*16.2*	*(21.4)*	*(24.9)*

Source: CFO SIM, Thomson Reuters Eikon

Table 15 – Labomar, equity value assessment, 3#3

€ m	FY1	FY2	FY3
EV/EBITDA (x)	7.10	6.52	6.55
PER (x)	11.02	7.45	7.12
Average	**9.06**	**6.98**	**6.83**
Weighting	*100.0%*	*0.0%*	*0.0%*
Equity Value/share €	**9.10**		
% upside/(downside)	*-4.0%*		

Source: CFO SIM, Thomson Reuters Eikon

8.3. Peer Stock Performance

Labomar was listed on AIM Italia (Alternative Investment Market) on **5th October 2020 at € 6.00/share**, corresponding to a post-money market capitalisation of € 110.9m. **Labomar trades well above the IPO price**, +58.0% since the IPO. The stock reached a 1Y intraday maximum price of € 9.54/s on 8-Apr-21 and a minimum price of € 6.38/s on 21-Dec-20.

Table 16 – Labomar, peer group and index absolute performances

	1D	1W	1M	3M	6M	YTD	1Y
Biosearch SA	-	-	(0.5)	44.0	47.1	53.4	112.8
Catalent Inc	1.2	2.0	1.1	(1.1)	15.9	3.2	95.0
Clover Corporation Ltd	0.3	4.6	50.0	17.6	(4.7)	16.2	5.7
Fine Foods & Pharmaceuticals NTM SpA	0.4	5.1	15.8	15.3	25.5	18.6	20.9
Jubilant Life Sciences Ltd	1.9	3.4	(8.1)	(13.5)	12.7	(3.9)	149.6
Lonza Group AG	0.5	1.8	(2.6)	(7.7)	(2.7)	(5.4)	34.0
Probi AB	-	(0.8)	(1.1)	0.9	24.5	5.5	135.7
Siegfried Holding AG	1.6	1.5	7.2	17.0	29.0	19.3	84.0
Median CDMO	**0.5**	**1.9**	**0.3**	**8.1**	**20.2**	**10.8**	**89.5**
Biesse SpA	(0.6)	(0.7)	4.3	19.5	41.4	26.7	171.4
Eurotech SpA	(2.7)	(1.8)	4.0	(1.3)	32.7	-	(18.5)
Freni Brembo SpA	(0.6)	2.3	3.1	(0.5)	18.9	0.6	61.5
Guala Closures SpA	(0.5)	(0.8)	1.7	2.1	28.6	2.2	61.7
Interpump Group SpA	(0.7)	1.1	(2.9)	3.1	31.8	7.0	75.4
Lu-Ve SpA	0.3	1.7	(5.1)	4.2	16.7	7.5	42.9
Prima Industrie SpA	2.7	0.2	28.3	58.0	81.5	61.2	64.5
Median Domestic B2B	**(0.6)**	**0.2**	**3.1**	**3.1**	**31.8**	**7.0**	**61.7**
Labomar SpA	**0.6**	**3.6**	**14.6**	**34.5**	**34.3**	**41.1**	**-**
MSCI World Index	0.5	2.0	3.2	5.9	19.3	7.6	49.3
EUROSTOXX	0.4	0.7	3.0	7.9	20.9	10.3	41.2
FTSE Italia All Share	(0.6)	(0.0)	2.0	8.2	25.1	10.7	41.4
FTSE STAR Italia	(0.3)	1.8	3.4	10.3	24.2	11.2	60.9
FTSE AIM Italia	0.1	1.2	7.7	17.0	32.2	19.8	28.2

Source: Thomson Reuters Eikon

Table 17 – Labomar, relative performances

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	0.1	1.7	11.4	28.6	15.0	33.4	-
to EUROSTOXX	0.2	2.9	11.6	26.5	13.4	30.8	-
to FTSE Italia All Share	1.2	3.6	12.6	26.2	9.2	30.3	-
to FTSE STAR Italia	0.9	1.9	11.3	24.1	10.1	29.9	-
to FTSE AIM Italia	0.5	2.4	7.0	17.5	2.0	21.3	-
to CDMO peer Median	0.2	1.7	14.3	26.4	14.1	30.2	-
to Domestic B2B peer Median	1.2	3.4	11.5	31.4	2.5	34.1	-

Source: Thomson Reuters Eikon

8.4. Risks

The principal investment **risks** associated with Labomar include the following:

- limited M&A track record;
- increasing regulation or change in the regulatory framework;
- ability to manage investment and to find the sources to support growth;
- impact on P&L and balance-sheet profiles triggered by a deep decline in global economic growth or geopolitical instability;
- the reference market consolidation process putting the company's market share under pressure;
- M&A execution being hampered by potential consolidating actors in the industry with higher firepower (i.e. private equity funds).

This page has been intentionally left blank

This page has been intentionally left blank

ANALYST CERTIFICATION

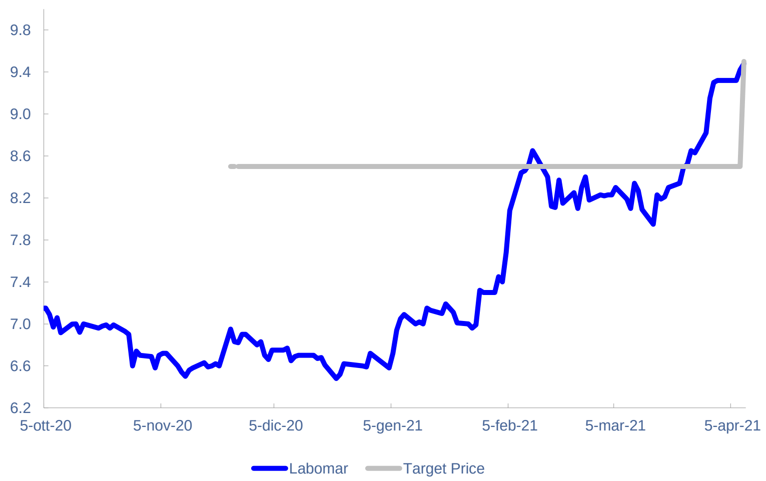
This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts'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

DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.
CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Corporate Broker for Labomar stock, listed on AIM Italia. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
09/04/2021	€9.50	NEUTRAL
05/02/2021	€8.50	BUY
23/11/2020	€8.50	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

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.

CORPORATE FAMILY OFFICE SIM S.p.A.
Società di Intermediazione Mobiliare
Capitale Sociale Euro 2.500.000,00 i.v.
www.cfosim.com
info@cfosim.com
cfosim@legalmail.it

Aderente al Fondo Nazionale di Garanzia
Iscrizione all'Albo delle Società
di Intermediazione Mobiliare n. 197
Delibera Consob n. 16216 del 13/11/2007
Iscrizione al Registro Unico Intermediari
assicurativi n. D000627190

N. Iscrizione al Registro delle imprese di Milano,
Codice Fiscale e Partita IVA 13256570154
REA 1633817
Codice LEI 815600A451B54F577118
Codice univoco: M5UXCR1

Via dell'Annunciata, 23/4 - 20121 Milano — Tel. +39 02 303431
Viale della Libertà, 67 - 33170 Pordenone — Tel. +39 0434 546711
Via Angelo Moro, 83 - 20097 San Donato Milanese — Tel. +39 02 25547300
Viale G. Ribotta, 11 - 00144 Roma — Tel. +39 06 45474500
Via della Chimica, 5 - 30175 Venezia P.to Marghera — Tel. +39 041 2515200
Via Cefalonia, 70 - 25124 Brescia — Tel. +39 030.8377311