

## Company News

### Labomar (ADD)

#### Letter of Intent for the Acquisition of Welcare Group

**Market Mover**      **Positive**      **Neutral**      **Negative**

**What's up?** The company announced yesterday after trading hours the signing of a letter of intent to acquire 70% of the Welcare Group: the transaction is currently expected to be concluded by the first half of July. Welcare Group develops, manufactures and markets medical devices to prevent and treat infections and to manage skin injuries of varying causes and comprises Welcare Industries S.p.A. and Welcare Research S.r.l. With headquarters in Orvieto (Terni), it operates in 22 countries across the world, in Europe, the Middle East, South America and Australia. In 2020, Welcare Group had revenues for EUR 6.7M, with an EBITDA of EUR 2.4M and a net cash position of EUR 3.3M. According to the agreement, Labomar will acquire 63% of Welcare Group at the closing of the transaction and a further 7% by the end of 2021 through a call option in favour of Labomar or by 1Q22, following a put option in favour of the seller. The total value of the acquisition of 70% of the group's share capital (subject to a potential adjustment based on an assessment of the net financial position at 30 June 2021) is EUR 9.5M and will be paid with Labomar's available funds raised with the IPO. Labomar and the current shareholders of Welcare Group, Fulvia Lazzarotto and Marco Grespigna, will have a call option and a put option, respectively, for the remaining 30% of Welcare Group's share capital, which may be exercised in 2025 and 2026.

**What we think:** The announced acquisition should allow Labomar to enter a new business segment with no overlapping products, markets and customer base. We believe that it responds to the growing trend of domestic care as opposed to the hospitalisation of patients. The newly-acquired company should be consolidated as of

### Labomar - Key Data

30/06/2021	Healthcare		
Target Price (EUR)	10.9		
Rating	ADD		
Mkt price (EUR)	14.00		
Mkt cap (EUR M)	259		
Main Metrics (€ M)	2021E	2022E	2023E
Revenues	66.11	75.50	86.28
EBITDA	14.25	16.45	18.87
EPS (EUR)	0.34	0.40	0.47
Net debt/-cash	1.34	1.62	-2.67
Ratios (x)	2021E	2022E	2023E
Adj. P/E	40.8	34.7	29.8
EV/EBITDA	18.3	15.8	13.6
EV/EBIT	27.5	23.7	20.3
Debt/EBITDA	0.09	0.10	Neg.
Div yield (%)	0.8	0.9	1.0
Performance (%)	1M	3M	12M
Absolute	29.6	58.7	NA
Rel. to FTSE IT All Sh	28.6	51.9	NA

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Labomar

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1 July 2021. In our understanding, Welcare Group was not impacted by the pandemic in 2020 and its reference market is expected to show a double-digit growth in 2021. Based on the released 2020 Welcare Group figures and the expected net cash position of EUR 2-2.4M at 30 June 2021, we calculate that the price paid by Labomar for 70% of Welcare Group corresponds to an EV/EBITDA of 5x vs. 18.3x currently traded by Labomar on 2021E. On an annual basis, we would expect a counter dilutive impact of around 20% on the Labomar group's EPS in a preliminary simulation. While we believe that at the current price the positive short-term impact of the acquisition is factored into the stock price, we believe that the future development of the Labomar Next business and further acquisitions could continue to drive the stock in the coming months.

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