

## Italy – Nutraceutical

## A growing, profitable, value accretive acquisition from day-one

16<sup>th</sup> July 2021

### WELCARE ACQUISITION

RIC: LBM.MI  
BBG: LBM IM

Welcare perfectly fits with Labomar: a synergic business model, a complementary product portfolio and customer base, and a different geographical coverage, will allow the combined entity to exploit several cross-selling and cross-fertilisation synergies and to generate value. The acquisition corroborates the group's strategy announced at the time of the IPO.

#### Rating:

**Neutral**

#### Price Target:

**€ 11.50 (€ 9.50)**

Upside/(Downside): -10.5%

Last Price: € 12.85

Market Cap.: € 238.0m

1Y High/Low: € 15.95 / € 6.38

Free Float: 17.9%

#### Major shareholders:

LBM Holding Srl 71.1%



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>0.4%</b>	<b>30.6%</b>	<b>n.a.</b>
<b>Rel.to AIM Italia</b>	<b>-3.9%</b>	<b>17.2%</b>	<b>n.a.</b>
<b>Rel.to Sector</b>	<b>-1.0%</b>	<b>27.8%</b>	<b>n.a.</b>

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#### New PT € 11.50 (€ 9.50), rating confirmed

Only nine months after the IPO, Labomar announced the acquisition of 70% of Welcare, an Italian producer of medical devices for skincare. The acquisition, paid fairly cheaply and significantly lower than LBM's multiple at the announcement date, allows Labomar to expand the group's product portfolio by adding innovative and patented solutions to the skincare niche. On the back of the acquisition, we have updated our model by factoring in the consolidation of Welcare and leaving unchanged the assumptions for Labomar stand-alone. We anticipated Welcare's turnover to grow at a CAGR<sub>20-23</sub> of +10.0% with a slight reduction in EBITDA margin as a result of a planned strengthening of the operating structure in order to sustain future significant growth and exploit the potential synergies. The combined result is an average 11.3% and 10.6% increase in consolidated EBITDA adj. and Net Profit adj. in 2021-23. Moreover, CFO Sim has updated the DCF valuation criteria, by bringing the Free Risk Rate up-to-date. The combined result is a new PT of € 11.50/s (€ 9.50), broadly in line with current price levels. Neutral stance is maintained.

#### Labomar acquired 70% of Welcare Group for € 9.5m, EV/EBITDA<sub>20</sub> between 4.7x - 4.8x

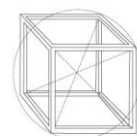
Last 14-Jul Labomar acquired 70% of Welcare group for € 9.5m. The deal value was subject to a potential adjustment based on the assessment of the Welcare's NFP as at 30-Jun-21, which was estimated positive between € 2.0m and € 2.4m (i.e. net cash). Considering the aforementioned estimated NFP range, the price paid corresponds to an EV/EBITDA<sub>20</sub> between 4.7x and 4.8x. Labomar acquired 63% of Welcare at the closing date, while the remaining 7% will be acquired through a Call option in favour of Labomar by the end of 2021 or through a Put option in favour of the seller by Q1-22. A Put & Call option was set-up on the remaining 30% of Welcare and it may be exercised in 2025 or in 2026.

#### A leading skincare specialist highly focused on R&D with a well-known brand

Founded in 2000 by Fulvia Lazzarotto and Franco De Bernardini, Welcare develops, manufactures and markets medical devices to prevent and treat infections and to manage skin injuries of varying causes. With headquarters in Orvieto (Terni), it operates in 22 countries across the world, mainly in Europe, Middle East, LATAM and Australia. Since 2020, Marco Grespigna has been shareholder and director of the group. Welcare's mission responds to a growing prevalence of domestic care for bed-bound patients, as opposed to long hospital stays, and to developments in the international wound care market, which shows significant growth potential. Welcare is a pioneer in providing solutions to these needs, offering extremely high standards of service and a number of patented and proprietary technologies. In 2020, Welcare reported consolidated revenues of € 6.7m (85% abroad), EBITDA of € 2.4m (35.8% margin) and a Net Cash Position of € 3.3m.

#### Labomar, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of Production	49.1	61.5	73.0	85.5	93.3
EBITDA Adjusted	9.7	12.3	15.3	18.3	20.5
EBIT Adjusted	6.4	8.2	10.2	12.0	13.2
Net Profit Adjusted	4.6	6.1	7.5	8.8	9.8
NFP (cash)/debt	28.7	3.4	15.9	12.3	7.4
EBITDA adj. margin	19.7%	20.0%	21.0%	21.4%	22.0%
EBIT adj. margin	13.0%	13.4%	14.0%	14.0%	14.2%
EPS	-	0.33	0.42	0.48	0.53
EPS growth	-	-	28.7%	12.6%	10.9%
Dividend	-	0.11	0.13	0.14	0.16
Dividend Yield	-	0.9%	1.0%	1.1%	1.2%
ROCE	12.4%	9.4%	12.8%	13.2%	13.5%
NWC/Sales	14.0%	10.2%	11.6%	11.6%	11.7%
Free Cash Flow Yield	-	1.1%	-4.4%	2.5%	3.2%
PER x	-	20.5	31.8	27.0	24.3
EV/Sales x	-	2.09	3.48	2.93	2.63
EV/EBITDA x	-	10.4	16.6	13.7	12.0
EV/EBIT x	-	15.6	24.9	20.9	18.5

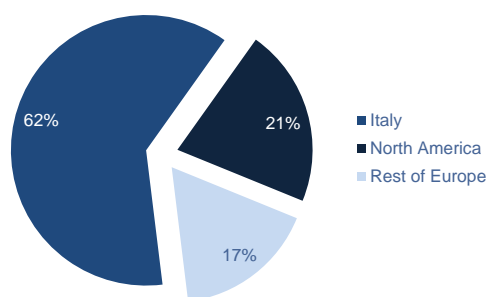


## The Company at a Glance

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<sub>14-20</sub> 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.

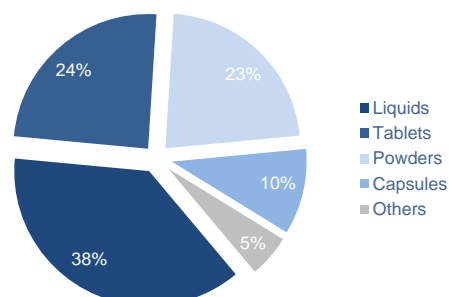
In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

### 2020 Revenues breakdown by geography\*



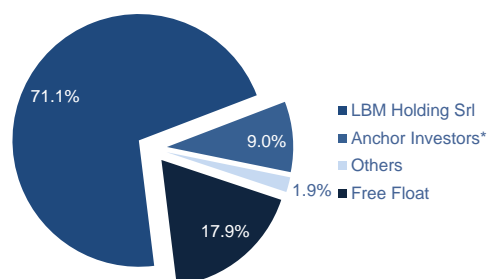
\*including ImportFab

### ... and by pharmaceutical form\*\*



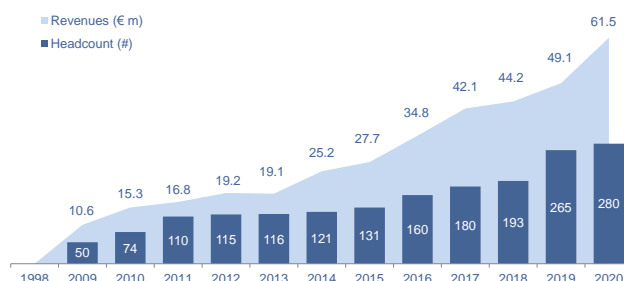
\*\*Labomar stand alone

### Shareholder structure



Source: Company data \*subject to lock-up

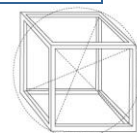
### Top line and headcount evolution



### Peer group multiples table

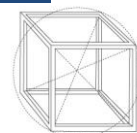
EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Biosearch SA	4.16	3.63	27.3	20.0	42.8	28.6	52.9	35.2
Catalent Inc	5.25	4.71	20.7	18.1	26.8	22.6	36.0	30.8
Clover Corporation Ltd	4.64	3.56	27.7	18.1	29.4	19.0	41.0	27.6
Fine Foods & Pharmaceuticals NTM SpA	1.26	1.07	9.0	7.2	16.8	12.7	25.3	20.3
Jubilant Pharmova Ltd	1.89	1.63	7.6	6.6	10.1	8.8	13.2	11.6
Lonza Group AG	9.70	8.78	31.5	27.3	42.0	35.9	48.7	42.5
Probi AB	8.95	8.02	30.0	26.7	43.3	37.1	57.8	50.6
Siegfried Holding AG	3.98	3.58	21.4	18.3	31.9	26.5	36.4	30.3
<b>Median CDMO</b>	<b>4.40</b>	<b>3.60</b>	<b>24.3</b>	<b>18.2</b>	<b>30.7</b>	<b>24.6</b>	<b>38.7</b>	<b>30.6</b>
Biesse SpA	1.12	1.00	11.4	8.7	24.9	15.2	38.3	25.5
Eurotech SpA	1.55	1.40	8.2	7.3	14.5	12.3	18.3	15.7
Freni Brembo SpA	2.00	1.37	14.3	8.0	22.9	10.4	54.5	10.3
Guala Closures SpA	1.55	1.45	8.3	7.7	16.6	14.8	29.0	23.6
Interpump Group SpA	3.95	3.31	16.8	14.2	22.1	18.3	29.0	23.8
Lu-Ve SpA	1.17	1.06	10.0	8.4	21.4	15.9	22.3	17.2
Prima Industrie SpA	0.80	0.66	8.9	6.2	19.5	13.0	30.5	13.4
<b>Median Domestic B2B</b>	<b>1.55</b>	<b>1.37</b>	<b>10.0</b>	<b>8.0</b>	<b>21.4</b>	<b>14.8</b>	<b>29.0</b>	<b>17.2</b>
<b>Labomar SpA</b>	<b>3.48</b>	<b>2.93</b>	<b>16.6</b>	<b>13.7</b>	<b>24.9</b>	<b>20.9</b>	<b>31.8</b>	<b>27.0</b>

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	48.3	61.1	71.9	84.9	92.6
Value of Production	49.1	61.5	73.0	85.5	93.3
Raw material and processing	(22.4)	(26.6)	(30.4)	(35.5)	(38.7)
Services	(7.3)	(10.0)	(10.5)	(12.4)	(13.4)
Personnel expenses	(10.1)	(13.5)	(16.0)	(19.1)	(20.4)
Other opex	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EBITDA	9.1	11.3	15.8	18.3	20.5
D&A	(3.3)	(4.0)	(5.1)	(6.3)	(7.3)
EBIT	5.8	7.3	10.7	12.0	13.2
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	10.3	11.5	12.8
Income taxes	(1.4)	(0.8)	(2.4)	(2.7)	(3.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	4.1	6.1	7.8	8.8	9.8
EBITDA Adjusted	9.7	12.3	15.3	18.3	20.5
EBIT Adjusted	6.4	8.2	10.2	12.0	13.2
Net Profit Adjusted	4.6	6.1	7.5	8.8	9.8
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	6.9	6.3	8.5	9.9	10.9
Net Fixed Assets	33.9	36.0	52.4	54.6	55.9
Equity Investments	1.4	1.9	1.9	1.9	1.9
Other M/L Term A/L	(3.5)	(2.6)	(2.9)	(3.6)	(3.6)
Net Invested Capital	38.6	41.6	59.9	62.8	65.1
Net Financial Debt	28.7	3.4	15.9	12.3	7.4
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	9.9	38.2	44.0	50.5	57.6
Financial Liabilities & Equity	38.6	41.6	59.9	62.8	65.1
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	4.1	6.1	7.8	8.8	9.8
Depreciation	3.3	4.0	5.1	6.3	7.3
Other non-cash charges	1.4	(2.3)	0.3	0.7	0.0
Cash Flow from Oper. (CFO)	8.8	7.9	13.2	15.8	17.1
Change in NWC	(1.6)	0.6	(2.2)	(1.4)	(1.0)
FCF from Operations (FCFO)	7.2	8.4	11.0	14.4	16.0
Net Investments (CFI)	(24.2)	(5.7)	(21.5)	(8.5)	(8.5)
Free CF to the Firm (FCFF)	(17.0)	2.7	(10.5)	5.9	7.5
CF from financials (CFF)	24.2	20.1	(2.0)	(2.4)	(2.6)
Free Cash Flow to Equity (FCFE)	7.3	22.8	(12.5)	3.6	4.9
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	19.7%	20.0%	21.0%	21.4%	22.0%
EBIT adj. margin	13.0%	13.4%	14.0%	14.0%	14.2%
Net profit adj. margin	9.3%	9.9%	10.2%	10.3%	10.5%
Tax rate	25.5%	11.6%	23.5%	23.5%	23.5%
Op NWC/Sales	14.0%	10.2%	11.6%	11.6%	11.7%
Interest coverage x	24.24	8.23	24.62	27.59	30.48
Net Debt/EBITDA x	3.15	0.30	1.01	0.67	0.36
Debt-to-Equity x	2.90	0.09	0.36	0.24	0.13
ROIC	10.7%	14.7%	13.1%	14.1%	15.0%
ROCE	12.4%	9.4%	12.8%	13.2%	13.5%
ROACE	16.5%	11.7%	13.3%	13.8%	14.0%
ROE	41.9%	15.9%	17.8%	17.5%	17.0%
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	0.42	0.48	0.53
EPS adjusted FD €	-	0.33	0.40	0.48	0.53
EBITDA €	-	0.61	0.85	0.99	1.11
EBIT €	-	0.39	0.58	0.65	0.72
BV €	-	2.07	2.38	2.73	3.12
FCFO €	-	0.46	0.60	0.78	0.87
FCFF €	-	0.15	(0.57)	0.32	0.41
FCFE €	-	1.24	(0.68)	0.19	0.26
Dividend €	-	0.11	0.13	0.14	0.16



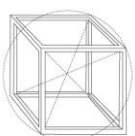
## Welcare Acquisition

Only nine months after the IPO, Labomar announced the acquisition of 70% of Welcare, an Italian producer of medical devices for skincare. The acquisition, paid fairly cheaply and significantly lower than LBM's multiple at the announcement date, allows Labomar to expand the group's product portfolio by adding innovative and patented solutions to the skincare niche.

Last 14-Jul Labomar completed the acquisition of **70% of Welcare group for € 9.5m**, on the back of the letter of intent signed with the seller last 29-Jun. The deal value was subject to a potential adjustment based on the assessment of Welcare's Net Financial Position as at 30-Jun-21, which was estimated positive between € 2.0m and € 2.4m (i.e. net cash). Considering the aforementioned estimated NFP range, the price paid corresponds to an **EV/EBITDA<sub>20</sub> between 4.7x and 4.8x**.

Labomar acquired 63% of Welcare at the closing date by partially using the IPO proceeds, while the remaining 7% will be acquired through a Call option in favour of Labomar by the end of 2021 or through a Put option in favour of the seller by Q1-22. The remaining 30% of Welcare will continue to be held by the two current shareholders, Fulvia Lazzarotto and Marco Grespigna. Fulvia Lazzarotto will continue to serve as Welcare's CEO, while Walter Bertin, Labomar's CEO, will serve as Chairman of Welcare. **A Put & Call option was set-up on the remaining 30%** of Welcare and it may be exercised in 2025 or 2026.

Founded in 2000 by Fulvia Lazzarotto and Franco De Bernardini, the **Welcare group develops, manufactures and markets medical devices to prevent and treat infections and to manage skin injuries of varying causes**. The group consists of Welcare Industries SpA and Welcare Research Srl. With headquarters in Orvieto (Terni), it operates in 22 countries across the world, mainly in Europe, Middle East, LATAM and Australia. Since 2020, Marco Grespigna has been shareholder and managing director of the group. He has a strong experience in the pharmaceutical sector, having worked for several pharmaceutical companies, such as Sanofi, Teva, Angelini and Zentiva. Welcare's mission responds to a growing prevalence of domestic care for bed-bound patients, as opposed to long hospital stays, and to developments in the international wound care market, which shows significant growth potential. Welcare is a pioneer in providing solutions to these needs, offering extremely high standards of service and a number of patented and proprietary technologies. **In 2020, the group reported consolidated revenues of € 6.7m, 85% of which generated abroad, EBITDA of € 2.4m (35.8% margin) and a Net Cash Position of € 3.3m.**



## Valuation & Risks

We believe the acquisition, paid fairly cheaply and significantly lower than LBM's multiple at the announcement date, corroborates the group's strategy unveiled at the time of the IPO. **Welcare perfectly fitted with one of the ideal targets for Labomar**, namely a firm owning innovative patents and technological platforms able to improve and expand the group's product portfolio. The synergic business models and the several interconnections between their respective products, coupled with the lack of overlaps between the products portfolio, the geographical markets covered and the customer bases of Labomar and Welcare, will allow the combined entity to exploit several **cross-selling and cross-fertilisation synergies**.

On the back of the acquisition, **we have updated our model** by factoring in the consolidation of Welcare for six months in 2021 and for the entire year in 2022-23, and leaving unchanged the assumptions for Labomar stand-alone. It should be remembered that in 2020 Welcare reported consolidated revenues of € 6.7m and EBITDA of € 2.4m. **We anticipated Welcare's turnover to grow at a CAGR<sub>20-23</sub> of +10.0%** with a slight reduction in EBITDA margin as a result of a planned strengthening of the operating structure in order to sustain future significant growth and exploit the potential synergies. The combined result is an average **8.9%, 11.3% and 10.6% increase in consolidated revenues, EBITDA adj. and Net Profit adj. in 2021-23**. Furthermore, coherently to IAS/IFRS accounting principles, the Net Financial Position includes a rudimentary appraisal of the Put & Call option on the remaining 30% of Welcare based on certain CFO Sim assumptions.

**Table 1 – Labomar, 2021e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	73.0	69.2	5.4	3.7
EBITDA adj.	15.3	14.1	8.2	1.2
% margin	21.0	20.4		
EBIT adj.	10.2	9.5	7.3	0.7
% margin	14.0	13.7		
Net Profit adj.	7.5	6.9	7.7	0.5
% margin	10.2	10.0		
Y/E net debt/(cash)	15.9	1.5	n.m.	14.4

Source: CFO Sim

**Table 2 – Labomar, 2022e new/old estimates**

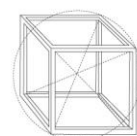
€ m	New	Old	% Diff.	€ m Diff.
Value of Production	85.5	77.3	10.6	8.2
EBITDA adj.	18.3	16.2	12.7	2.1
% margin	21.4	21.0		
EBIT adj.	12.0	10.7	11.6	1.2
% margin	14.0	13.9		
Net Profit adj.	8.8	7.9	12.1	1.0
% margin	10.3	10.2		
Y/E net debt/(cash)	12.3	(0.9)	n.m.	13.2

Source: CFO Sim

**Table 3 – Labomar, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	93.3	84.3	10.7	9.0
EBITDA adj.	20.5	18.1	13.0	2.4
% margin	22.0	21.5		
EBIT adj.	13.2	11.8	11.8	1.4
% margin	14.2	14.0		
Net Profit adj.	9.8	8.7	12.2	1.1
% margin	10.5	10.4		
Y/E net debt/(cash)	7.4	(4.2)	n.m.	11.6

Source: CFO Sim



Moreover, CFO Sim has **updated the DCF valuation criteria**, bringing the Free Risk Rate up-to-date. The combined result is a **new PT of € 11.50/s** (€ 9.50), broadly in line to current price levels. The greater part of the upgrade in PT stems from the consolidation of Welcare and the remainder is due to the valuation criteria update, namely the decrease in free-risk-rate.

LBM's stock price unveiled a skyrocketing performance both YTD and since the IPO, namely 91.2% and 114.2%, respectively: we believe the stock is currently fairly priced and already factors in the upside potential stemming from the recent acquisition. Thus, **we confirm our Neutral rating on the stock**. Nevertheless, Labomar is definitely delivering what announced during the IPO process, namely exploit M&A opportunities by acquiring companies with a significant international presence and owning innovative patents and technological platforms able to improve and enlarge the group's product portfolio.

## 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%
<b>Int. costs, after taxes</b>	<b>1.1%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	0.71%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>9.7%</b>

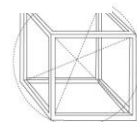
Source: CFO SIM, Thomson Reuters Eikon

**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	10.7	12.0	13.2	15.9	18.6	
Tax rate	23.5%	23.5%	23.5%	23.5%	23.5%	
<b>Operating profit (NOPAT)</b>	<b>8.2</b>	<b>9.2</b>	<b>10.1</b>	<b>12.1</b>	<b>14.2</b>	
Change working capital	(2.2)	(1.4)	(1.0)	(0.5)	(0.1)	
Depreciation	5.1	6.3	7.3	6.0	5.0	
Investments	(16.0)	(8.5)	(8.5)	(5.0)	(5.0)	
<b>Free Cash Flows</b>	<b>(4.9)</b>	<b>5.6</b>	<b>7.8</b>	<b>12.6</b>	<b>14.2</b>	<b>270.5</b>
Present value	(4.8)	5.1	6.7	10.2	10.8	<b>206.1</b>
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO SIM





**Table 6 – Labomar, DCF derived from:**

€ m	
Total EV present value € m	234.2
thereof terminal value	88.0%
NFP last reported adj. for Welcare acquisition outlay and Put & Call appraisal	(18.4)
Pension provision	(2.6)
<b>Equity value € m</b>	<b>213.2</b>
#m shares	18.48
<b>Equity value €/s</b>	<b>11.50</b>
% upside/(downside)	-10.5%

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 213.2m**, which corresponds to **€ 11.50/s** (€ 9.50), broadly in line to current price levels.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 10.08-13.47/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 **€ 10.44-12.76/s (free risk range between 1.46% and 0.00%)** and 3) compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 9.51-14.39/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	28.1	28.1	28.1	28.1	28.1	28.1	28.1
PV of terminal value	179.1	187.3	196.3	206.1	216.8	228.7	241.9
<b>Total value</b>	<b>207.2</b>	<b>215.4</b>	<b>224.4</b>	<b>234.2</b>	<b>244.9</b>	<b>256.8</b>	<b>270.0</b>
NFP last reported adj. for acq.	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
<b>Equity value</b>	<b>186.2</b>	<b>194.4</b>	<b>203.4</b>	<b>213.2</b>	<b>223.9</b>	<b>235.8</b>	<b>249.0</b>
<b>Equity value/share €</b>	<b>10.08</b>	<b>10.52</b>	<b>11.00</b>	<b>11.50</b>	<b>12.11</b>	<b>12.76</b>	<b>13.47</b>

Source: CFO SIM

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

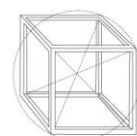
€ m	0.00%	0.21%	0.46%	0.71%	0.96%	1.21%	1.46%
Present value of CF	28.5	28.4	28.2	28.1	27.9	27.8	27.7
PV of terminal value	228.3	221.2	213.4	206.1	199.1	192.6	186.4
<b>Total value</b>	<b>256.8</b>	<b>249.6</b>	<b>241.7</b>	<b>234.2</b>	<b>227.1</b>	<b>220.4</b>	<b>214.0</b>
NFP last reported adj. for acq.	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
<b>Equity value</b>	<b>235.8</b>	<b>228.6</b>	<b>220.7</b>	<b>213.2</b>	<b>206.1</b>	<b>199.4</b>	<b>193.0</b>
<b>Equity value/share €</b>	<b>12.76</b>	<b>12.37</b>	<b>11.94</b>	<b>11.50</b>	<b>11.15</b>	<b>10.79</b>	<b>10.44</b>

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	29.0	28.7	28.4	28.1	27.8	27.5	27.2
PV of terminal value	257.9	238.4	221.2	206.1	192.6	180.5	169.6
<b>Total value</b>	<b>286.9</b>	<b>267.1</b>	<b>249.6</b>	<b>234.2</b>	<b>220.4</b>	<b>208.0</b>	<b>196.8</b>
NFP last reported adj. for acq.	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)	(18.4)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
<b>Equity value</b>	<b>266.0</b>	<b>246.1</b>	<b>228.6</b>	<b>213.2</b>	<b>199.4</b>	<b>187.0</b>	<b>175.8</b>
<b>Equity value/share €</b>	<b>14.39</b>	<b>13.31</b>	<b>12.37</b>	<b>11.50</b>	<b>10.79</b>	<b>10.12</b>	<b>9.51</b>

Source: CFO SIM



## 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.

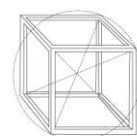
**Fine Foods & Pharmaceuticals NTM SpA**, founded in 1984, is an Italian leading independent company in the development and contract development and manufacturing organization of solid oral forms for the pharmaceutical and nutraceutical industries. The company is recognised on the market by its high-quality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

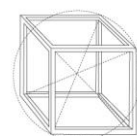
**Prima Industrie SpA** manufactures lasers and related equipment. The company's products include software-controlled high-power and high-precision laser cutting and welding systems. Prima's products are categorized as 2-D and 3-D laser cutting machinery.

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 <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	Net Profit CAGR <sub>21-23</sub>	NFP/EBITDA FY1
Biosearch SA	E	127	31	5	15.3%	n.a.	n.a.	n.a.	n.a.	0.3
Catalent Inc	US	15,820	3,312	839	25.3%	13.0%	21.7%	33.1%	17.9%	1.9
Clover Corporation Ltd	AUS	193	42	7	16.8%	3.3%	2.0%	1.9%	35.6%	0.3
Fine Foods & Pharmaceuticals NTM SpA	IT	304	214	30	14.1%	14.3%	22.5%	32.9%	19.0%	n.m.
Jubilant Pharmova Ltd	IND	1,277	774	191	24.7%	7.6%	10.0%	13.5%	11.1%	1.0
Lonza Group AG	CH	45,067	4,879	1,501	30.8%	10.9%	11.1%	18.4%	13.6%	1.5
Probi AB	SWE	685	73	22	29.9%	6.2%	9.6%	15.2%	11.8%	n.m.
Siegfried Holding AG	CH	3,510	982	183	18.6%	12.3%	21.2%	28.2%	13.5%	2.2
<b>Median CDMO</b>		<b>981</b>	<b>494</b>	<b>106</b>	<b>21.7%</b>	<b>10.9%</b>	<b>11.1%</b>	<b>18.4%</b>	<b>13.6%</b>	<b>1.2</b>
Biesse SpA	IT	787	657	64	9.8%	9.8%	25.7%	61.6%	32.3%	n.m.
Eurotech SpA	IT	3,597	2,544	482	19.0%	9.5%	14.3%	25.3%	11.9%	0.7
Freni Brembo SpA	IT	162	74	10	14.0%	16.7%	50.5%	92.9%	180.7%	n.m.
Guala Closures SpA	IT	540	624	116	18.7%	5.6%	9.6%	27.9%	17.1%	3.7
Interpump Group SpA	IT	5,607	1,496	351	23.4%	13.0%	15.5%	18.0%	13.8%	0.8
Lu-Ve SpA	IT	415	446	52	11.7%	8.0%	12.4%	28.2%	21.4%	2.0
Prima Industrie SpA	IT	220	388	35	9.1%	14.6%	26.8%	57.6%	92.5%	2.6
<b>Median Domestic B2B</b>		<b>540</b>	<b>624</b>	<b>64</b>	<b>14.0%</b>	<b>9.8%</b>	<b>15.5%</b>	<b>28.2%</b>	<b>21.4%</b>	<b>2.0</b>
<b>Labomar SpA</b>	<b>IT</b>	<b>238</b>	<b>73</b>	<b>15</b>	<b>21.0%</b>	<b>14.9%</b>	<b>18.5%</b>	<b>17.1%</b>	<b>14.4%</b>	<b>1.0</b>

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	4.16	3.63	n.a.	27.3	20.0	n.a.
Catalent Inc	5.25	4.71	4.28	20.7	18.1	16.1
Clover Corporation Ltd	4.64	3.56	3.10	27.7	18.1	15.0
Fine Foods & Pharmaceuticals NTM SpA	1.26	1.07	0.94	9.0	7.2	6.2
Jubilant Pharmova Ltd	1.89	1.63	1.53	7.6	6.6	5.8
Lonza Group AG	9.70	8.78	8.21	31.5	27.3	24.6
Probi AB	8.95	8.02	7.31	30.0	26.7	24.3
Siegfried Holding AG	3.98	3.58	3.45	21.4	18.3	17.3
<b>Median CDMO</b>	<b>4.40</b>	<b>3.60</b>	<b>3.45</b>	<b>24.3</b>	<b>18.2</b>	<b>16.1</b>
Biesse SpA	1.12	1.00	0.92	11.4	8.7	7.5
Eurotech SpA	1.55	1.40	1.31	8.2	7.3	6.8
Freni Brembo SpA	2.00	1.37	1.05	14.3	8.0	5.1
Guala Closures SpA	1.55	1.45	1.35	8.3	7.7	7.1
Interpump Group SpA	3.95	3.31	2.94	16.8	14.2	12.6
Lu-Ve SpA	1.17	1.06	0.96	10.0	8.4	7.5
Prima Industrie SpA	0.80	0.66	0.56	8.9	6.2	4.5
<b>Median Domestic B2B</b>	<b>1.55</b>	<b>1.37</b>	<b>1.05</b>	<b>10.0</b>	<b>8.0</b>	<b>7.1</b>
<b>Labomar SpA</b>	<b>3.48</b>	<b>2.93</b>	<b>2.63</b>	<b>16.6</b>	<b>13.7</b>	<b>12.0</b>
% premium/(discount) to CDMO	(21.0)	(18.7)	(23.8)	(31.8)	(24.9)	(25.4)
% premium/(discount) to Domestic B2B	124.1	114.2	151.6	65.8	71.7	68.9

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	42.8	28.6	n.a.	52.9	35.2	n.a.
Catalent Inc	26.8	22.6	20.0	36.0	30.8	25.9
Clover Corporation Ltd	29.4	19.0	15.6	41.0	27.6	22.3
Fine Foods & Pharmaceuticals NTM SpA	16.8	12.7	10.7	25.3	20.3	17.9
Jubilant Pharmova Ltd	10.1	8.8	7.6	13.2	11.6	10.7
Lonza Group AG	42.0	35.9	31.4	48.7	42.5	37.7
Probi AB	43.3	37.1	33.2	57.8	50.6	46.2
Siegfried Holding AG	31.9	26.5	24.7	36.4	30.3	28.2
<b>Median CDMO</b>	<b>30.7</b>	<b>24.6</b>	<b>20.0</b>	<b>38.7</b>	<b>30.6</b>	<b>25.9</b>
Biesse SpA	24.9	15.2	12.2	38.3	25.5	21.9
Eurotech SpA	14.5	12.3	11.2	18.3	15.7	14.6
Freni Brembo SpA	22.9	10.4	6.2	54.5	10.3	6.9
Guala Closures SpA	16.6	14.8	13.3	29.0	23.6	21.1
Interpump Group SpA	22.1	18.3	16.1	29.0	23.8	22.4
Lu-Ve SpA	21.4	15.9	13.4	22.3	17.2	15.1
Prima Industrie SpA	19.5	13.0	8.4	30.5	13.4	8.2
<b>Median Domestic B2B</b>	<b>21.4</b>	<b>14.8</b>	<b>12.2</b>	<b>29.0</b>	<b>17.2</b>	<b>15.1</b>
<b>Labomar SpA</b>	<b>24.9</b>	<b>20.9</b>	<b>18.5</b>	<b>31.8</b>	<b>27.0</b>	<b>24.3</b>
% premium/(discount) to CDMO	(18.8)	(15.0)	(7.2)	(17.8)	(11.9)	(6.1)
% premium/(discount) to Domestic B2B	16.3	40.9	51.7	9.8	56.9	60.7

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 € 9.60/s (9.10)**, using 2021 estimates and multiples.

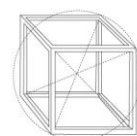




Table 13 – Labomar, equity value assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
<b>Median Peers Domestic B2B (x)</b>	<b>1.55</b>	<b>1.37</b>	<b>1.05</b>	<b>10.0</b>	<b>8.0</b>	<b>7.1</b>
Labomar metric	73.0	85.5	93.3	15.3	18.3	20.5
NFP	(15.9)	(12.3)	(7.4)	(15.9)	(12.3)	(7.4)
<b>Labomar Equity Value</b>	<b>97.4</b>	<b>104.5</b>	<b>90.1</b>	<b>137.2</b>	<b>133.4</b>	<b>137.9</b>
<b>Labomar Equity Value/share €</b>	<b>5.27</b>	<b>5.66</b>	<b>4.87</b>	<b>7.43</b>	<b>7.22</b>	<b>7.46</b>
% upside/(downside)	(59.0)	(56.0)	(62.1)	(42.2)	(43.8)	(41.9)

Source: CFO SIM, Thomson Reuters Eikon

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

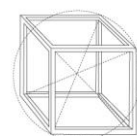
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
<b>Median Peers Domestic B2B (x)</b>	<b>21.4</b>	<b>14.8</b>	<b>12.2</b>	<b>29.0</b>	<b>17.2</b>	<b>15.1</b>
Labomar metric	10.2	12.0	13.2	7.5	8.8	9.8
NFP	(15.9)	(12.3)	(7.4)			
<b>Labomar Equity Value</b>	<b>202.3</b>	<b>165.3</b>	<b>154.4</b>	<b>216.7</b>	<b>151.7</b>	<b>148.1</b>
<b>Labomar Equity Value/share €</b>	<b>10.95</b>	<b>8.94</b>	<b>8.35</b>	<b>11.72</b>	<b>8.20</b>	<b>8.01</b>
% upside/(downside)	(14.8)	(30.4)	(35.0)	(8.8)	(36.2)	(37.7)

Source: CFO SIM, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA (x)	7.43	7.22	7.46
PER (x)	11.72	8.20	8.01
<b>Average</b>	<b>9.57</b>	<b>7.71</b>	<b>7.74</b>
Weighting	100.0%	0.0%	0.0%
<b>Equity Value/share €</b>	<b>9.60</b>		
% upside/(downside)	-25.3%		

Source: CFO SIM, Thomson Reuters Eikon



## Peer Stock Performance

Labomar was listed on AIM Italia (Alternative Investment Market) on **5<sup>th</sup> October 2020** at **€ 6.00/share**, corresponding to a post-money market capitalisation of € 110.9m. **Labomar trades well above the IPO price**, +114.2% since the IPO. The stock reached a 1Y intraday maximum price of € 15.95/s on 30-Jun-21 and a minimum price of € 6.38/s on 21-Dec-20.

**Table 16 – Labomar, peer group and index absolute performances**

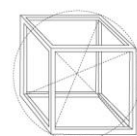
	1D	1W	1M	3M	6M	YTD	1Y
Biosearch SA	-	0.2	0.5	2.1	40.7	57.0	91.9
Catalent Inc	(1.3)	(2.8)	(0.8)	(1.2)	(4.8)	5.4	31.0
Clover Corporation Ltd	1.7	(0.5)	(1.6)	(3.9)	20.0	9.9	(20.1)
Fine Foods & Pharmaceuticals NTM SpA	0.4	2.2	1.5	9.6	26.7	31.0	26.1
Jubilant Life Sciences Ltd	(5.9)	(4.0)	(6.8)	(3.0)	(18.9)	(3.7)	18.0
Lonza Group AG	(1.2)	(2.3)	(0.6)	16.3	11.3	15.0	16.3
Probi AB	1.0	(5.3)	7.2	22.8	31.9	45.0	103.3
Siegfried Holding AG	(1.8)	(3.2)	3.3	9.5	38.3	33.3	90.3
<b>Median CDMO</b>	<b>(0.6)</b>	<b>(2.6)</b>	<b>(0.1)</b>	<b>5.8</b>	<b>23.4</b>	<b>23.0</b>	<b>28.6</b>
Biesse SpA	(1.2)	3.9	1.7	11.4	36.0	52.2	123.7
Eurotech SpA	(1.4)	0.4	(3.3)	(11.9)	(7.3)	(11.8)	(11.5)
Freni Brembo SpA	(1.2)	3.1	1.4	2.8	1.4	(0.5)	26.8
Guala Closures SpA	-	1.4	0.2	(1.3)	(0.6)	(0.4)	31.6
Interpump Group SpA	(0.6)	2.4	1.9	17.2	25.4	27.4	87.0
Lu-Ve SpA	(1.8)	5.4	11.3	14.1	31.3	33.7	54.8
Prima Industrie SpA	(1.6)	(2.1)	(10.5)	(5.2)	48.6	49.7	54.4
<b>Median Domestic B2B</b>	<b>(1.2)</b>	<b>2.4</b>	<b>1.4</b>	<b>2.8</b>	<b>25.4</b>	<b>27.4</b>	<b>54.4</b>
<b>Labomar SpA</b>	<b>(3.4)</b>	<b>(9.2)</b>	<b>0.4</b>	<b>30.6</b>	<b>79.7</b>	<b>91.2</b>	<b>-</b>
MSCI World Index	(0.5)	0.7	1.6	3.5	11.2	13.1	32.4
EUROSTOXX	(1.0)	1.2	(1.6)	2.8	10.7	13.8	23.1
FTSE Italia All Share	(1.3)	0.8	(3.2)	1.9	10.7	12.8	23.7
FTSE STAR Italia	(0.9)	0.2	(0.9)	10.5	23.0	25.6	55.3
FTSE AIM Italia	0.4	1.4	4.3	13.4	35.2	39.0	47.6

Source: Thomson Reuters Eikon

**Table 17 – Labomar, relative performances**

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(2.9)	(9.9)	(1.2)	27.1	68.6	78.1	-
to EUROSTOXX	(2.4)	(10.4)	2.0	27.8	69.0	77.4	-
to FTSE Italia All Share	(2.1)	(10.0)	3.6	28.7	69.0	78.4	-
to FTSE STAR Italia	(2.5)	(9.4)	1.3	20.0	56.7	65.6	-
to FTSE AIM Italia	(3.8)	(10.6)	(3.9)	17.2	44.5	52.3	-
to CDMO peer Median	(2.8)	(6.6)	0.5	24.8	56.4	68.3	-
to Domestic B2B peer Median	(2.2)	(11.6)	(1.0)	27.8	54.4	63.8	-

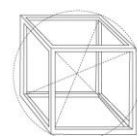
Source: Thomson Reuters Eikon



## Risks

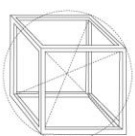
The principal investment **risks** associated with Labomar include the following:

- limited M&A track record;
- increasing regulation or change in the regulatory framework;
- inability 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).





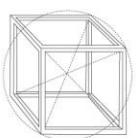
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DATE	TARGET PRICE	RATING
16/07/2021	€11.50	NEUTRAL
21/05/2021	€9.50	NEUTRAL
09/04/2021	€9.50	NEUTRAL
05/02/2021	€8.50	BUY
23/11/2020	€8.50	BUY

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- ☐ 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.

