

Labomar (Under Review)**Operating Profitability and Outlook below Expectations**

Vs. our estimates	Above	In Line	Below
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Results. The key points of results were:

■ **Operating profitability below forecasts:** The group's 1H21A operating profitability was below our expectations, mainly due to higher raw material prices that were not contractually possible to transfer to customers, to production inefficiencies related to troubles in raw materials' supply and to a worse fixed costs absorption. 1H21 EBITDA margin was 14.6% vs. 23.5% and included a non-recurring Canadian government contribution for ImportFab of EUR 0.5M as compensation for the pandemic damage. Below the EBIT line, the company benefitted from the re-assessment of the earn-out to be paid for the acquisition of ImportFab for EUR 0.53M (net of taxes) and of FX gains for EUR 0.52M (vs. FX losses of EUR 0.43M in 1H20). These positive but non-recurring items allowed the group to show a net income of EUR 2.9M;

■ **Net Debt:** As at 30 June, the group's net debt increased to EUR 4.6M vs. EUR 3.4M at 31 December 2020. According to our calculation, in the six months the gross cash flow of approx. EUR 4M was more than offset by a capital expenditure for EUR 2.1M and the absorption of NWC, mainly related to higher inventory and receivables;

■ **Outlook:** The company said that on a like for like basis, 2021 revenues are expected to increase low-mid single digit vs. the EUR 61.1M posted in 2020. On top of that, there should be the contribution for six months of Welcare Group acquired at the beginning of July, which management said has not suffered from the pandemic thanks to its different business model (we remind that Welcare Group's revenues amounted to EUR 6.7M in 2020 with an EBITDA of EUR 2.4M). Management also said that the top-line increase expected in 2H21 should allow a partial but not total recovery of the marginality lost in the first half of the year. In addition, management said that 2021 capex should amount to around EUR 4M vs. EUR 6-7M originally planned, as some non-necessary investments will be postponed by one year.

What we think: Based on the announced results and management's outlook, **we put our forecasts, Rating and Target Price UNDER REVIEW.**

Labomar - 1H21A results

EUR M	1H20A	FY20A	1H21A	1H21A/E	1H21C	1H A/E%	1H A/C %	1H yoy %	FY21E	FY21C
Sales	33.0	61.1	30.5	30.5	NA	0.0	0.0	-7.6	66.1	69.0
Value of prod.	NA	61.5	NA	30.7	NA	-	NA	-	66.6	69.5
EBITDA	7.8	11.3	4.5	6.1	NA	-27.5	NA	-42.6	14.2	14.8
% on sales	23.5	18.4	14.6	20.0	NA	-	-	-	21.4	21.3
Adj. EBITDA	NA	12.3	4.0	NA	NA	-	NA	-	14.2	NA
% on sales	-	20.0	13.1	-	NA	-	-	-	21.4	-
EBIT	5.6	7.3	2.4	3.8	NA	-37.4	NA	-57.9	9.5	10.2
% on sales	16.9	11.8	7.7	12.2	NA	-	-	-	14.2	14.7
Adj. EBIT	NA	8.3	1.9	NA	NA	-	-	-	9.5	NA
% on sales	NA	13.4	6.2	-	NA	-	-	-	14.2	NA
Pre-tax profit	4.9	6.9	3.6	3.8	NA	-5.4	NA	-26.8	8.6	10.3
Net profit	3.6	6.1	2.9	2.8	NA	2.6	NA	-19.8	6.3	7.8

NA: not available; NM: not meaningful; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Labomar - Key data

28/09/2021	Healthcare		
Target Price (EUR)	Under Review		
Rating	Under Review		
Mkt price (EUR)	13.75		
Mkt cap (EUR M)	254		
Performance (%)	1M	3M	12M
Absolute	-1.8	3.4	NA
Rel. to FTSE IT All Sh	-2.1	0.8	NA

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Labomar

Bruno Permutti - Research Analyst
+39 02 7235 1805
bruno.permutti@intesasanpaolo.com