

Italy – Nutraceutical

Further vertical integration coupled with exploitation of synergies

21<sup>st</sup> October 2021

COMPANY'S INVESTOR DAY

RIC: LBM.MI  
BBG: LBM IM

Last 19-20 October, Labomar met investors in Istrana (Treviso) for a management presentation and a tour of the manufacturing plant and the R&D department. Here are the main points worth remembering from the Investor Day:

Rating:

**Neutral**

Price Target:

**€ 9.50**

Upside/(Downside): -23.7%

Last Price: € 12.45

Market Cap.: € 229.8m

1Y High/Low: € 15.95 / € 6.38

Avg. Daily Turn. (3M, 6M): € 221k, € 284k

Free Float: 21.7%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	-10.4%	-5.3%	78.4%
<b>Rel.to AIM Italia</b>	-9.8%	-16.9%	6.7%
<b>Rel.to Sector</b>	-9.3%	-16.6%	15.7%

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**A buoyant reference market temporarily affected by the pandemic**

The Covid-19 pandemic has temporarily affected the company's reference market: most of the products realised by Labomar are promoted to general practitioners/specialists and pharmacists by medical representatives, who have not been able to regularly schedule their visits. Furthermore, the use of face masks and social distancing dramatically reduced cough & cold pathologies and hygiene-related infections (i.e. diarrhoea), with a consequent strong reduction in sales of cough & cold products and probiotics. However, the wide range of therapeutic areas covered by the group's products allowed Labomar to intercept some opportunities from immunity, sleep and stress disorders, gastroenterology and cardiology segments. Overall, management confirmed that FY-21 revenues are expected to grow at low-/medium-single-digit rate on an organic basis. Estimates, Rating and PT unchanged.

**Backword integration: plant cultivation and botanical extracts**

The group is working to reinforce its presence in plant cultivation and vegetal extract production. In particular, Labomar Next (51% held by Labomar) cultivates plants using vertical farm technologies, in order to produce bioreactors, namely plants expressing active principles relevant in functional food, nutraceuticals, cosmetics and pharmaceuticals. Labomar Next is now focusing mainly on three R&D projects: 1) a next generation of nutraceutical ingredients, 2) medical cannabis and 3) a functional dressing in order to produce "superfoods". Furthermore, Labomar has recently increased its stake in Labiotre (48.8%), a producer of botanical extracts essential to develop excellent products in the nutraceutical sector. The strategic rationale lies in the need to closely monitor a primary activity in the value-chain process, that is the production of high-quality raw materials.

**Exploiting synergies with ImportFab and Welcare**

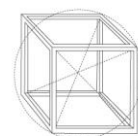
One of the main goals in the short-medium term is exploiting some synergies with ImportFab and Welcare. In particular, the focus is on cross-selling and cross-fertilisation opportunities between ImportFab and Labomar, with a view to reinforcing the group's presence in the field of functional cosmetics in Europe and strengthening ImportFab's R&D activity. The acquisition of Welcare allows Labomar to boost the group's internationalisation and to enrich the product portfolio. Welcare has a strong presence in several geographical areas where Labomar is not present as of today and the product portfolios of the two companies are extremely complementary, leaving room for several cross-selling opportunities.

**LaboVar: a first step to approach the Far East market**

LaboVar is the industrial partnership with Var Group, controlled by Sesa, with the aim of developing an e-commerce platform for the Chinese market in order to sell Labomar's nutraceutical products in China. The first revenues are expected in H2-22.

**Labomar, key financials and ratios**

€ m	2019	2020	2021e	2022e	2023e
Value of Production	49.1	61.5	66.3	77.4	84.2
EBITDA	9.1	11.3	11.3	14.0	16.0
EBITDA Adjusted	9.7	12.3	10.8	14.0	16.0
EBIT	5.8	7.3	6.8	8.5	9.5
Net Profit	4.1	6.1	5.4	6.2	7.0
NFP (cash)/debt	28.7	3.4	17.2	14.1	11.9
EBITDA adj. margin	19.7%	20.0%	16.4%	18.1%	19.0%
EPS	-	0.33	0.29	0.34	0.38
EPS growth	-	-	-77.9%	16.2%	12.4%
Dividend	-	0.11	0.09	0.10	0.11
Dividend Yield	-	0.9%	0.7%	0.8%	0.9%
ROCE	12.4%	9.4%	8.4%	9.8%	10.3%
NWC/Sales	14.0%	10.2%	10.5%	10.8%	11.0%
Free Cash Flow Yield	-	1.2%	-5.1%	2.0%	1.8%
PER x	-	20.5	46.0	36.8	32.8
EV/Sales x	-	2.09	3.72	3.15	2.87
EV/EBITDA x	-	10.4	22.8	17.4	15.1
EV/EBIT x	-	15.6	39.2	28.8	25.5



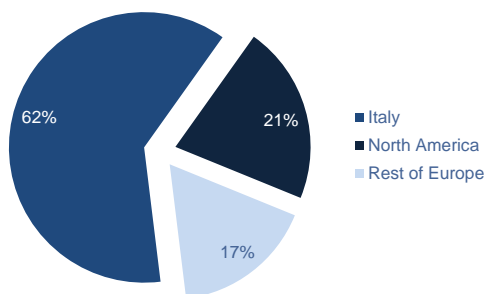


### The Company at a Glance

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 dietary supplements and medical devices featuring high value-added technological content. Labomar aims to be 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.

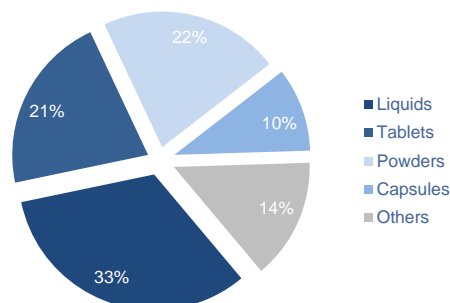
In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

### 2020 Revenues breakdown by geography\*...



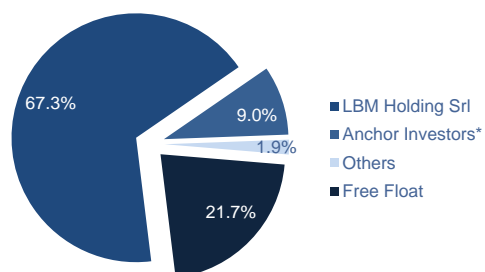
\*including ImportFab

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



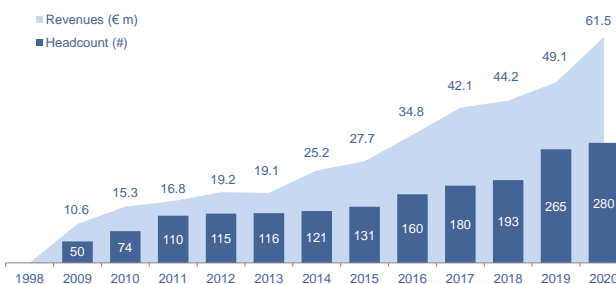
\*\*Labomar stand-alone

### Shareholder structure



Source: Company data \*subject to lock-up

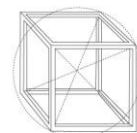
### Top line and headcount evolution



### Peer group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	5.59	5.11	21.2	18.7	28.7	25.6	35.9	31.3
Clover Corporation Ltd	3.93	3.15	20.7	15.6	21.9	16.3	31.6	23.2
Fine Foods & Pharmaceuticals NTM SpA	1.79	1.54	12.7	10.2	23.8	19.1	31.0	23.4
Jubilant Pharmova Ltd	1.84	1.60	8.2	7.1	11.4	10.1	15.2	12.7
Lonza Group AG	10.86	9.54	34.8	29.2	50.0	39.7	57.0	47.2
Probi AB	6.25	5.62	23.3	19.7	36.2	28.5	49.5	39.9
Siegfried Holding AG	4.05	3.58	21.6	17.9	36.7	28.1	42.1	32.6
<b>Median CDMO</b>	<b>4.05</b>	<b>3.58</b>	<b>21.2</b>	<b>17.9</b>	<b>28.7</b>	<b>25.6</b>	<b>35.9</b>	<b>31.3</b>
Biesse SpA	n.a.	0.84	n.a.	7.3	n.a.	12.1	24.5	22.3
Brembo SpA	1.54	1.39	8.0	7.1	13.6	11.7	17.0	14.7
Eurotech SpA	2.73	1.78	70.7	9.7	n.m.	12.9	-53.4	12.8
Interpump Group SpA	4.44	3.78	18.5	15.9	23.7	20.4	30.9	26.7
Lu-Ve SpA	1.33	1.22	11.6	9.7	24.3	18.8	26.8	21.0
Prima Industrie SpA	0.73	0.58	8.8	5.4	23.6	9.8	37.4	11.9
<b>Median Domestic B2B</b>	<b>1.54</b>	<b>1.31</b>	<b>11.6</b>	<b>8.5</b>	<b>23.6</b>	<b>12.5</b>	<b>25.6</b>	<b>17.9</b>
<b>Labomar SpA</b>	<b>3.72</b>	<b>3.15</b>	<b>22.8</b>	<b>17.4</b>	<b>39.2</b>	<b>28.8</b>	<b>46.0</b>	<b>36.8</b>

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	48.3	61.1	65.4	76.9	83.6
Value of Production	49.1	61.5	66.3	77.4	84.2
Raw material and processing	(22.4)	(26.6)	(29.2)	(32.9)	(35.3)
Services	(7.3)	(10.0)	(9.5)	(11.2)	(12.2)
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	11.3	14.0	16.0
D&A	(3.3)	(4.0)	(4.5)	(5.5)	(6.5)
EBIT	5.8	7.3	6.8	8.5	9.5
Financials	(0.2)	(0.9)	(0.4)	(0.4)	(0.4)
Re/(Devaluation) of financial assets	0.0	0.5	0.5	0.0	0.0
Forex gain/(loss)	(0.1)	0.0	0.0	0.0	0.0
Pre-Tax profit	5.6	6.9	7.0	8.1	9.1
Income taxes	(1.4)	(0.8)	(1.6)	(1.9)	(2.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	4.1	6.1	5.4	6.2	7.0
EBITDA Adjusted	9.7	12.3	10.8	14.0	16.0
EBIT Adjusted	6.4	8.2	6.3	8.5	9.5
Net Profit Adjusted	4.6	6.1	5.0	6.2	7.0
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	6.9	6.3	7.0	8.3	9.2
Net Fixed Assets	33.9	36.0	52.8	53.7	55.7
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	58.7	60.3	63.2
Net Financial Debt	28.7	3.4	17.2	14.1	11.9
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	9.9	38.2	41.6	46.2	51.3
Financial Liabilities & Equity	38.6	41.6	58.7	60.3	63.2
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	4.1	6.1	5.4	6.2	7.0
Depreciation	3.3	4.0	4.5	5.5	6.5
Other non-cash charges	1.4	(2.3)	0.3	0.7	(0.0)
Cash Flow from Oper. (CFO)	8.8	7.9	10.2	12.5	13.5
Change in NWC	(1.6)	0.6	(0.7)	(1.4)	(0.9)
FCF from Operations (FCFO)	7.2	8.4	9.5	11.2	12.6
Net Investments (CFI)	(24.2)	(5.7)	(21.3)	(6.5)	(8.5)
Free CF to the Firm (FCFF)	(17.0)	2.7	(11.8)	4.7	4.1
CF from financials (CFF)	24.2	20.1	(2.5)	(1.6)	(1.9)
Free Cash Flow to Equity (FCFE)	7.3	22.8	(14.2)	3.0	2.2
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	19.7%	20.0%	16.4%	18.1%	19.0%
EBIT adj. margin	13.0%	13.4%	9.5%	10.9%	11.3%
Net profit adj. margin	9.3%	9.9%	7.5%	8.1%	8.3%
Tax rate	25.5%	11.6%	23.0%	23.0%	23.0%
Op NWC/Sales	14.0%	10.2%	10.5%	10.8%	11.0%
Interest coverage x	24.24	8.23	18.81	23.40	26.18
Net Debt/EBITDA x	3.15	0.30	1.51	1.01	0.74
Debt-to-Equity x	2.90	0.09	0.41	0.31	0.23
ROIC	10.7%	14.7%	9.1%	10.3%	11.1%
ROCE	12.4%	9.4%	8.4%	9.8%	10.3%
ROACE	16.5%	11.7%	8.6%	10.1%	10.6%
ROE	41.9%	15.9%	12.9%	13.5%	13.7%
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	0.29	0.34	0.38
EPS adjusted FD €	-	0.33	0.27	0.34	0.38
EBITDA €	-	0.61	0.61	0.76	0.86
EBIT €	-	0.39	0.37	0.46	0.51
BV €	-	2.07	2.25	2.50	2.78
FCFO €	-	0.46	0.52	0.60	0.68
FCFF €	-	0.15	(0.64)	0.25	0.22
FCFE €	-	1.24	(0.77)	0.16	0.12
Dividend €	-	0.11	0.09	0.10	0.11



## ANALYST CERTIFICATION

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

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DATE	TARGET PRICE	RATING
21/10/2021	€9.50	NEUTRAL
01/10/2021	€9.50	NEUTRAL
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.

