

Italy – Nutraceutical

A strategic deal aimed at vertically integrating the value chain

25th November 2021

LABIOTRE ACQUISITION

RIC: LBM.MI
BBG: LBM IM

Labomar increases its stake in Labiotre to 100% by acquiring 51.2% shareholding interest from BioDue for € 8.4m. Considering also the purchase of an additional 17.6% stake made last Sep-21, we estimate that the transaction multiple should be around 10x EV/EBITDA_{21e}. The acquisition will allow Labomar to closely deal with the production of high-quality raw materials.

Rating:

Neutral

Price Target:

€ 11.00 (€ 9.50)

Upside/(Downside): 1.4%

Last Price: € 10.85

Market Cap.: € 201.4m

1Y High/Low: € 15.95 / € 6.38

Avg. Daily Turn. (3M, 6M): € 206k, € 262k

Free Float: 21.7%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-10.7%	-23.6%	58.9%
Rel.to FTSE IT Growth	-10.5%	-23.0%	-7.3%
Rel.to CDMO peers	-4.4%	-20.4%	29.6%

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A value accretive acquisition: new PT at € 11.00/s (€ 9.50)

The deal brings in € 28.4m (€ 1.50/s) additional value to LBM. Furthermore, the acquisition is value accretive at the EBITDA and Net Profit level. We anticipated Labiotre to grow at a CAGR₂₀₋₂₃ of 17.0%, reaching € 9.8m in 2023. Moreover, we estimated intercompany sales to the tune of 35% of Labiotre's turnover every year. IFRS-based EBITDA margin is expected stable at 18% per year. As a consequence, we have updated our model by factoring in the cash-out for the acquisition of Labiotre in 2021 and the full consolidation of the firm as from FY-22. The combined result is an average 7.6%, 9.5% and 11.1% increase in consolidated revenues, adj. EBITDA and adj. Net Profit in 2022-23. As a consequence of the estimate revision and the update in the valuation criteria, we set a new DCF-based PT for Labomar at € 11.00/s (€ 9.50), broadly in line with current price levels. Neutral reiterated.

A premium producer of botanical extracts and active ingredients

Set up in 2011, Labiotre manufactures botanical extracts and active ingredients with certified physiological action by using the most modern pharmaceutical techniques. Furthermore, Labiotre conducts clinical studies on specific extracts and works on active principles also from a technological point of view at the request of its customers. Labiotre's herbal extracts are among the raw materials used by Labomar in several different groups of products. According to BioDue's and Labomar's financial statements, from 2017 to 2020 Labomar contributed about € 2.0m per year on average to Labiotre's revenues. In 2020, the firm reported sales of € 6.1m, with EBITDA equal to € 1.0m and Net Profit of € 0.4m (ITA GAAP).

Labomar increases its stake in Labiotre to 100% paying 10x EBITDA_{21e}

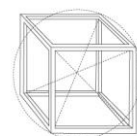
Labomar purchases 51.2% of Labiotre Srl from BioDue SpA for € 8.4m, including the purchase option with regard to Labiotre's production facilities as a result of a Rent-to-Buy agreement. The purchase option may be exercised by Jan-23. The deal allows Labomar to own 100% of Labiotre's share capital, following the acquisition of a 17.6% stake for € 1.2m last Sep-21. According to CFO SIM valuation, the transaction multiple should not be far from 10x EV/EBITDA_{21e}, considering the overall cash-out and excluding the purchase price of the production facilities. Labiotre will be consolidated as from 1-Dec-21.

A strategic acquisition consistent with the group's one-stop-shop business model

The strategic rationale of the deal lies in the need to closely monitor a primary activity in the value-chain process, that is the production of high-quality raw materials, essential for developing excellent products in the nutraceutical sector. The integration of Labiotre coupled with the business carried out by its subsidiary Labomar Next, specialised in the cultivation of medical herbaceous plants through aeroponic vertical farming techniques, will allow Labomar to be able to expand the supply chain to include raw material production.

Labomar, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Value of Production	49.1	61.5	66.3	83.3	90.6
EBITDA	9.1	11.3	11.3	15.3	17.5
EBITDA Adjusted	9.7	12.3	10.8	15.3	17.5
EBIT	5.8	7.3	6.8	9.4	10.5
Net Profit	4.1	6.1	5.4	6.9	7.8
NFP (cash)/debt	28.7	3.4	25.6	22.0	18.7
EBITDA adj. margin	19.7%	20.0%	16.4%	18.4%	19.3%
EPS	-	0.33	0.29	0.37	0.42
EPS growth	-	-	-11.9%	29.1%	12.4%
Dividend	-	0.11	0.09	0.11	0.13
Dividend Yield	-	1.0%	0.8%	1.0%	1.2%
ROCE	12.4%	9.4%	8.4%	10.7%	11.2%
NWC/Sales	14.0%	10.2%	10.5%	10.8%	11.1%
Free Cash Flow Yield	-	1.3%	-10.0%	2.6%	2.7%
PER x	-	20.5	40.3	29.1	25.9
EV/Sales x	-	2.09	3.42	2.68	2.43
EV/EBITDA x	-	10.4	20.9	14.6	12.6
EV/EBIT x	-	15.6	36.0	23.9	21.0

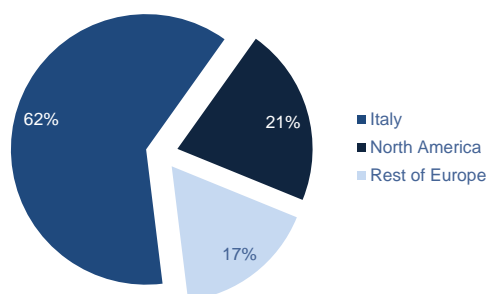


The Company at a Glance

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 CAGR₁₄₋₂₀ 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.

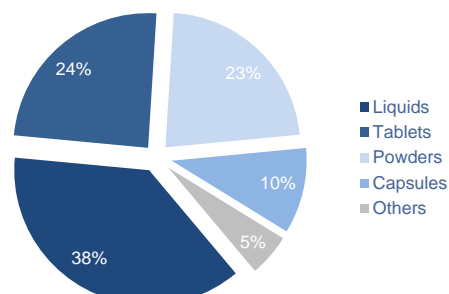
In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

2020 Revenues breakdown by geography*



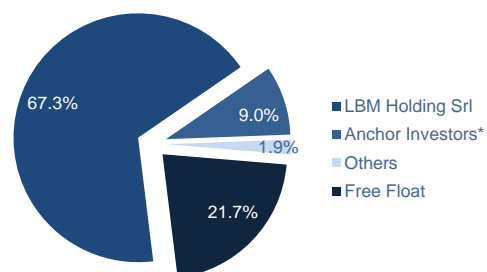
*including ImportFab

... and by pharmaceutical form**



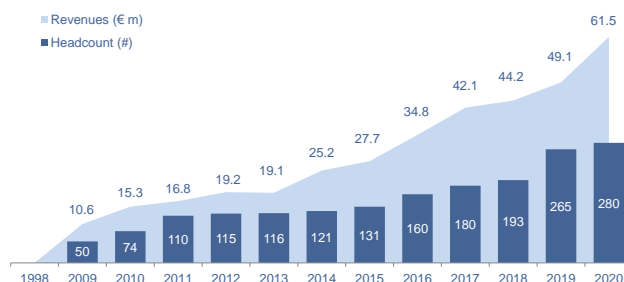
**Labomar stand-alone

Shareholder structure



Source: Company data *subject to lock-up

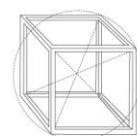
Top line and headcount evolution



Peer group multiples table

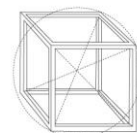
EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	5.34	4.88	20.1	17.8	26.5	23.4	33.5	29.3
Clover Corporation Ltd	4.09	3.28	21.5	16.2	22.8	16.9	32.9	24.1
Fine Foods & Pharmaceuticals NTM SpA	1.66	1.53	12.9	11.0	25.6	20.4	31.7	24.9
Jubilant Pharmova Ltd	1.83	1.69	8.5	7.5	11.7	10.4	16.4	13.8
Lonza Group AG	10.44	9.19	33.4	28.2	48.6	38.7	54.4	45.5
Probi AB	7.24	6.44	27.1	22.8	45.2	34.8	61.6	48.2
Siegfried Holding AG	3.74	3.31	20.0	16.5	33.8	25.9	38.5	29.8
Median CDMO	4.09	3.31	20.1	16.5	26.5	23.4	33.5	29.3
Biesse SpA	n.a.	0.73	n.a.	6.4	n.a.	10.7	21.8	19.5
Brembo SpA	1.61	1.46	8.8	7.8	15.1	12.7	18.7	15.8
Eurotech SpA	2.53	1.65	65.7	9.0	n.m.	11.9	n.m.	11.9
Interpump Group SpA	4.49	3.75	18.8	16.0	24.0	20.3	31.4	26.7
Lu-Ve SpA	1.29	1.18	11.2	9.4	23.6	18.2	25.8	20.2
Prima Industrie SpA	0.70	0.56	8.4	5.2	22.6	9.3	35.1	11.2
Median Domestic B2B	1.61	1.32	11.2	8.4	23.1	12.3	25.8	17.7
Labomar SpA	3.42	2.68	20.9	14.6	36.0	23.9	40.3	29.1

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	48.3	61.1	65.4	82.7	90.0
Value of Production	49.1	61.5	66.3	83.3	90.6
Raw material and processing	(22.4)	(26.6)	(29.2)	(35.8)	(38.1)
Services	(7.3)	(10.0)	(9.5)	(12.1)	(13.1)
Personnel expenses	(10.1)	(13.5)	(16.0)	(19.8)	(21.7)
Other opex	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EBITDA	9.1	11.3	11.3	15.3	17.5
D&A	(3.3)	(4.0)	(4.5)	(6.0)	(7.0)
EBIT	5.8	7.3	6.8	9.4	10.5
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	9.0	10.1
Income taxes	(1.4)	(0.8)	(1.6)	(2.1)	(2.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	4.1	6.1	5.4	6.9	7.8
EBITDA Adjusted	9.7	12.3	10.8	15.3	17.5
EBIT Adjusted	6.4	8.2	6.3	9.4	10.5
Net Profit Adjusted	4.6	6.1	5.0	6.9	7.8
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	6.9	6.3	7.0	9.0	10.0
Net Fixed Assets	33.9	36.0	61.2	61.7	63.2
Equity Investments	1.4	1.9	1.9	1.9	1.9
Other M/L Term A/L	(3.5)	(2.6)	(2.9)	(3.7)	(3.8)
Net Invested Capital	38.6	41.6	67.2	68.9	71.3
Net Financial Debt	28.7	3.4	25.6	22.0	18.7
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	9.9	38.2	41.6	46.9	52.6
Financial Liabilities & Equity	38.6	41.6	67.2	68.9	71.3
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	4.1	6.1	5.4	6.9	7.8
Depreciation	3.3	4.0	4.5	6.0	7.0
Other non-cash charges	1.4	(2.3)	0.3	0.9	0.1
Cash Flow from Oper. (CFO)	8.8	7.9	10.2	13.8	14.9
Change in NWC	(1.6)	0.6	(0.7)	(2.1)	(1.0)
FCF from Operations (FCFO)	7.2	8.4	9.5	11.7	13.9
Net Investments (CFI)	(24.2)	(5.7)	(29.8)	(6.5)	(8.5)
Free CF to the Firm (FCFF)	(17.0)	2.7	(20.2)	5.2	5.4
CF from financials (CFF)	24.2	20.1	(2.5)	(1.6)	(2.1)
Free Cash Flow to Equity (FCFE)	7.3	22.8	(22.7)	3.6	3.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	19.7%	20.0%	16.4%	18.4%	19.3%
EBIT adj. margin	13.0%	13.4%	9.5%	11.2%	11.6%
Net profit adj. margin	9.3%	9.9%	7.5%	8.3%	8.6%
Tax rate	25.5%	11.6%	23.0%	23.0%	23.0%
Op NWC/Sales	14.0%	10.2%	10.5%	10.8%	11.1%
Interest coverage x	24.24	8.23	18.80	25.88	28.95
Net Debt/EBITDA x	3.15	0.30	2.26	1.43	1.07
Debt-to-Equity x	2.90	0.09	0.62	0.47	0.36
ROIC	10.7%	14.7%	8.0%	10.1%	10.9%
ROCE	12.4%	9.4%	8.4%	10.7%	11.2%
ROACE	16.5%	11.7%	8.6%	11.1%	11.6%
ROE	41.9%	15.9%	12.9%	14.8%	14.8%
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	0.37	0.42
EPS adjusted FD €	-	0.33	0.27	0.37	0.42
EBITDA €	-	0.61	0.61	0.83	0.95
EBIT €	-	0.39	0.37	0.51	0.57
BV €	-	2.07	2.25	2.54	2.85
FCFO €	-	0.46	0.52	0.63	0.75
FCFF €	-	0.15	(1.09)	0.28	0.29
FCFE €	-	1.24	(1.23)	0.20	0.18
Dividend €	-	0.11	0.09	0.11	0.13



The target: Labiotre

Set up in 2011 in Tavarnelle Val di Pesa (Tuscany), **Labiotre manufactures botanical extracts and active ingredients** with certified physiological action by using the most modern pharmaceutical techniques. Furthermore, Labiotre conducts **clinical studies** on specific extracts and works on active principles also from a technological point of view at the request of its customers.

Historically, Labiotre's herbal extracts are among the raw materials used by Labomar in several different groups of products. According to BioDue's and Labomar's financial statements, **from 2017 to 2020 Labomar contributed about € 2.0m per year on average to Labiotre's revenues**. In other words, Labomar acquired raw materials from Labiotre for about € 2.0m per year on average in the last four years.

In 2020, the firm reported revenues of € 6.1m, with EBITDA equal to € 1.0m and Net Profit of € 0.4m (ITA GAAP).

The deal: LBM pays € 8.4m for 51.2% of Labiotre

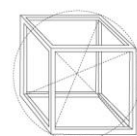
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According to CFO SIM valuation, the transaction multiple should not be far from **10x EV/EBITDA_{21e}**, considering the overall cash-out and excluding the purchase price of the production facilities. Labiotre will be consolidated as from 1-Dec-21.

The Strategic Rationale

The strategic rationale of the deal lies in the need to **closely monitor a primary activity in the value-chain process**, that is the **production of high-quality raw materials**, essential for developing excellent products in the nutraceutical sector.

The integration of Labiotre coupled with the business carried out by its subsidiary Labomar Next, specialised in the cultivation of medical herbaceous plants through aeroponic vertical farming techniques, will allow Labomar to be able to **expand the supply chain** to include raw material production. Furthermore, we believe the group can leverage its international presence in order to support Labiotre's growth in the following years, catching new clients both in Italy and abroad.



Estimates, Valuation & Risks

The deal brings in € 28.4m (€ 1.50/s) additional value to LBM. Furthermore, the acquisition is value accretive at the EBITDA and Net Profit level, already as from 2022, the first year of full consolidation. Even though Labiotre will be consolidated as from 1-Dec-21, we believe the impact on FY-21 P&L is negligible. Thus, our estimates for FY-21 only include the total cash-out for the acquisition, while sales and margins will be included as from 1-Jan-22. We anticipated Labiotre to grow at a CAGR₂₀₋₂₃ of 17.0%, reaching € 9.8m in 2023. Moreover, we estimated intercompany sales to the tune of 35% of Labiotre's turnover every year. EBITDA margin calculated according to IAS/IFRS principles is expected stable at 18.0% per year.

We have updated our model by factoring in the cash-out for the acquisition of the 51.2% stake in Labiotre in 2021 and the full consolidation of the firm as from FY-22. The combined result is an average **7.6%, 9.5% and 11.1% increase in consolidated revenues, adj. EBITDA and adj. Net Profit in 2022-23.**

Table 1 – Labomar, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	66.3	66.3	0.0	0.0
EBITDA adj.	10.8	10.8	0.0	0.0
% margin	16.4	16.4		
EBIT adj.	6.3	6.3	0.0	0.0
% margin	9.5	9.5		
Net Profit adj.	5.0	5.0	0.0	0.0
% margin	7.5	7.5		
Y/E net debt/(cash)	25.6	17.2	48.7	8.4

Source: CFO Sim

Table 2 – Labomar, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	83.3	77.4	7.6	5.9
EBITDA adj.	15.3	14.0	9.7	1.4
% margin	18.4	18.1		
EBIT adj.	9.4	8.5	10.6	0.9
% margin	11.2	10.9		
Net Profit adj.	6.9	6.2	11.1	0.7
% margin	8.3	8.1		
Y/E net debt/(cash)	22.0	14.2	55.2	7.8

Source: CFO Sim

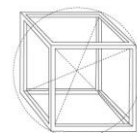
Table 3 – Labomar, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	90.6	84.2	7.7	6.4
EBITDA adj.	17.5	16.0	9.4	1.5
% margin	19.3	19.0		
EBIT adj.	10.5	9.5	10.6	1.0
% margin	11.6	11.2		
Net Profit adj.	7.8	7.0	11.1	0.8
% margin	8.6	8.3		
Y/E net debt/(cash)	18.7	11.9	56.6	6.8

Source: CFO Sim

As a consequence of the estimate revision and the update in the valuation criteria, we set a new DCF-based PT for Labomar at **€ 11.00/s** (€ 9.50), broadly in line with current price levels. Neutral reiterated.

We believe **Labomar is unquestionably a value player in the medium/long term** on the back of its 1) strong R&D effort, sustained by continuous investment, 2) wide ready-to-market product portfolio, 3) ability to manage several delivery forms, 4) full coverage of the entire value chain, also reinforced by the acquisition of Labiotre and 5) proactive go-to-market strategy.



DCF

In our DCF-based valuation, we assess explicit estimates until 2025 and assume a cautious long-term growth rate 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	23.0%
Int. costs, after taxes	1.2%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	0.78%
Beta levered (x)	1.00
Required ROE	9.8%

Sources: CFO SIM, Thomson Reuters Eikon

Risk premium at 9.0% factors in the minute size of the company and basically all the concerns and disquiet that an investor might have with regard to the Euronext Growth Milan market. **Beta** has prudentially been set **at 1.00**, taking into account the lower liquidity of the company. Indeed, the 5Y Beta calculated by reference to the domestic B2B peer group is 0.89x. 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	6.8	9.4	10.5	13.7	17.8	
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	
Operating profit (NOPAT)	5.2	7.2	8.1	10.6	13.7	
Change working capital	(0.7)	(2.1)	(1.0)	(0.5)	(0.1)	
Depreciation	4.5	6.0	7.0	6.0	5.0	
Investments	(24.1)	(6.5)	(8.5)	(5.0)	(5.0)	
Free Cash Flows	(15.0)	4.6	5.6	11.1	13.7	259.1
Present value	(14.9)	4.3	4.9	9.1	10.6	201.5
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 6 – Labomar, DCF derived from:

€ m	
Total EV present value € m	215.6
of which terminal value	93.5%
Latest reported adj. NFP for Put & Call appraisal	(9.0)
Pension provision	(2.6)
Equity value € m	204.0
#m shares	18.48
Equity value €/s	11.00
% upside/(downside)	1.4%

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 204.0m**, which corresponds to **€ 11.00/s** (€ 9.50). It is worth noting that **terminal value represents over 90% of total EV**, thus the current appraisal of Labomar is based on the company's ability to generate cash flow in the long term.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 9.62-12.92/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 **€ 10.00-12.27/s (free risk range between 1.53% and 0.03%)** and 3), compared to changes in the risk premium, including the small size premium, it results in an equity value of **€ 9.11-13.76/s (risk premium range between 10.5% and 7.50%)**.

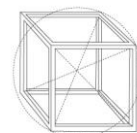


Table 7 – Labomar, equity value sensitivity to changes in terminal growth rate

€ m	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
Present value of CF	14.1	14.1	14.1	14.1	14.1	14.1	14.1
PV of terminal value	175.4	183.3	192.0	201.5	211.9	223.5	236.2
Total value	189.5	197.4	206.1	215.6	226.1	237.6	250.4
Latest reported adj. NFP for Put & Call	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	177.9	185.8	194.5	204.0	214.5	226.0	238.8
Equity value/share €	9.62	10.05	10.52	11.00	11.60	12.23	12.92

Source: CFO SIM

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

€ m	0.03%	0.28%	0.53%	0.78%	1.03%	1.28%	1.53%
Present value of CF	14.5	14.4	14.2	14.1	14.0	13.9	13.8
PV of terminal value	223.9	216.0	208.5	201.5	194.9	188.6	182.6
Total value	238.4	230.4	222.8	215.6	208.9	202.5	196.4
Latest reported adj. NFP for Put & Call	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	226.8	218.8	211.2	204.0	197.3	190.9	184.8
Equity value/share €	12.27	11.84	11.43	11.00	10.67	10.33	10.00

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	14.9	14.6	14.4	14.1	13.9	13.6	13.4
PV of terminal value	251.0	232.4	216.0	201.5	188.6	177.0	166.6
Total value	265.9	247.0	230.4	215.6	202.5	190.6	180.0
Latest reported adj. NFP for Put & Call	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Pension provision	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Equity value	254.3	235.4	218.8	204.0	190.9	179.0	168.4
Equity value/share €	13.76	12.74	11.84	11.00	10.33	9.69	9.11

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.

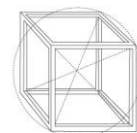
Amongst the companies operating as CDMOs, we selected the following:

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's 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. It also produces cooling units, air coolers, steel condensers, cooled condensers, dry coolers and accessories.

Prima Industrie SpA manufactures lasers and related equipment. The firm'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 and Net Profit CAGR prove to be broadly in line with the CDMO median.**

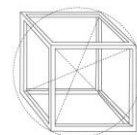


Table 10 – Labomar, peer group summary table

€ 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
Catalent Inc	US	19,813	4,118	1,097	26.6%	13.2%	19.7%	22.8%	13.6%	2.0
Clover Corporation Ltd	AUS	179	43	8	19.0%	20.4%	30.0%	31.5%	32.8%	n.m.
Fine Foods & Pharmaceuticals NTM SpA	IT	349	195	25	12.9%	15.1%	20.9%	30.6%	22.5%	n.m.
Jubilant Pharmova Ltd	IND	1,142	734	159	21.6%	4.9%	1.1%	3.0%	13.1%	1.3
Lonza Group AG	CH	50,104	4,931	1,542	31.3%	13.6%	13.6%	19.6%	16.8%	0.9
Probi AB	SWE	513	68	18	26.7%	3.7%	5.3%	8.3%	20.2%	n.m.
Siegfried Holding AG	CH	3,424	1,027	193	18.8%	15.2%	24.4%	30.3%	19.1%	2.2
Median CDMO		1,142	734	159	21.6%	13.6%	19.7%	22.8%	19.1%	1.6
Biesse SpA	IT	651	712	77	10.7%	12.4%	25.6%	61.7%	9.7%	n.a.
Brembo SpA	IT	3,947	2,724	499	18.3%	12.9%	17.2%	30.5%	15.0%	0.9
Eurotech SpA	IT	181	69	3	3.9%	20.1%	65.0%	113.7%	n.a.	n.m.
Interpump Group SpA	IT	6,665	1,564	375	24.0%	14.5%	17.4%	20.6%	11.8%	1.0
Lu-Ve SpA	IT	489	463	53	11.5%	8.9%	14.0%	29.6%	22.2%	2.0
Prima Industrie SpA	IT	182	388	32	8.3%	14.6%	26.8%	68.3%	111.7%	2.8
Median Domestic B2B		570	587	65	11.1%	13.7%	21.5%	46.1%	15.0%	1.5
Labomar SpA	IT	201	66	11	16.4%	13.8%	12.5%	8.3%	24.8%	2.4

Sources: CFO SIM, Thomson Reuters Eikon

Table 11 – Labomar, peer group EV multiple table

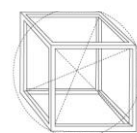
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Catalent Inc	5.34	4.88	4.37	20.1	17.8	15.5
Clover Corporation Ltd	4.09	3.28	2.68	21.5	16.2	12.6
Fine Foods & Pharmaceuticals NTM SpA	1.66	1.53	1.35	12.9	11.0	9.5
Jubilant Pharmova Ltd	1.83	1.69	1.59	8.5	7.5	6.9
Lonza Group AG	10.44	9.19	8.35	33.4	28.2	25.1
Probi AB	7.24	6.44	5.84	27.1	22.8	20.3
Siegfried Holding AG	3.74	3.31	3.12	20.0	16.5	15.6
Median CDMO	4.09	3.31	3.12	20.1	16.5	15.5
Biesse SpA	n.a.	0.73	0.69	n.a.	6.4	6.1
Brembo SpA	1.61	1.46	1.34	8.8	7.8	7.0
Eurotech SpA	2.53	1.65	1.17	65.7	9.0	4.7
Interpump Group SpA	4.49	3.75	3.51	18.8	16.0	14.8
Lu-Ve SpA	1.29	1.18	1.08	11.2	9.4	8.3
Prima Industrie SpA	0.70	0.56	0.44	8.4	5.2	3.6
Median Domestic B2B	1.61	1.32	1.12	11.2	8.4	6.5
Labomar SpA	3.42	2.68	2.43	20.9	14.6	12.6
% premium/(discount) to CDMO	(16.3)	(18.9)	(22.2)	4.4	(11.7)	(18.8)
% premium/(discount) to Domestic B2B	112.5	102.8	116.2	86.2	73.5	92.3

Sources: 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
Catalent Inc	26.5	23.4	20.6	33.5	29.3	26.0
Clover Corporation Ltd	22.8	16.9	13.0	32.9	24.1	18.6
Fine Foods & Pharmaceuticals NTM SpA	25.6	20.4	16.6	31.7	24.9	21.1
Jubilant Pharmova Ltd	11.7	10.4	9.0	16.4	13.8	12.8
Lonza Group AG	48.6	38.7	33.2	54.4	45.5	39.9
Probi AB	45.2	34.8	29.7	61.6	48.2	42.6
Siegfried Holding AG	33.8	25.9	23.0	38.5	29.8	27.1
Median CDMO	26.5	23.4	20.6	33.5	29.3	26.0
Biesse SpA	n.a.	10.7	9.8	21.8	19.5	18.1
Brembo SpA	15.1	12.7	11.1	18.7	15.8	14.2
Eurotech SpA	n.m.	11.9	5.5	n.m.	11.9	6.4
Interpump Group SpA	24.0	20.3	18.8	31.4	26.7	25.1
Lu-Ve SpA	23.6	18.2	14.9	25.8	20.2	17.3
Prima Industrie SpA	22.6	9.3	5.5	35.1	11.2	7.8
Median Domestic B2B	23.1	12.3	10.4	25.8	17.7	15.7
Labomar SpA	36.0	23.9	21.0	40.3	29.1	25.9
% premium/(discount) to CDMO	36.1	2.1	2.0	20.1	(0.7)	(0.4)
% premium/(discount) to Domestic B2B	56.0	93.9	101.3	56.3	64.6	64.7

Sources: CFO SIM, Thomson Reuters Eikon





Consistently with the approach adopted so far, we used the domestic B2B peer group in order to obtain a fair appraisal of Labomar, instead of applying an arbitrary discount to the CDMO median. Thus, by applying the domestic B2B peer group's median EV/EBITDA and PER multiples to Labomar's metrics we attained an **appraisal of Labomar to the tune of € 6.20/s (6.10)**, using 2022 estimates and multiples (previously 2021) in order to factor in the full consolidation of the acquisitions of Welcare and Labiotre made in 2021.

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)	1.61	1.32	1.12	11.2	8.4	6.5
Labomar metric	66.3	83.3	90.6	10.8	15.3	17.5
NFP	(25.6)	(22.0)	(18.7)	(25.6)	(22.0)	(18.7)
Labomar Equity Value	81.2	88.2	83.1	96.3	106.8	95.8
Labomar Equity Value/share €	4.39	4.77	4.50	5.21	5.78	5.18
% upside/(downside)	(59.5)	(56.0)	(58.6)	(52.0)	(46.8)	(52.3)

Sources: CFO SIM, Thomson Reuters Eikon

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

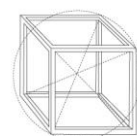
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Median Peers Domestic B2B (x)	23.1	12.3	10.4	25.8	17.7	15.7
Labomar metric	6.3	9.4	10.5	5.0	6.9	7.8
NFP	(25.6)	(22.0)	(18.7)			
Labomar Equity Value	120.0	93.3	90.6	128.8	122.4	122.3
Labomar Equity Value/share €	6.49	5.05	4.90	6.97	6.62	6.62
% upside/(downside)	(40.2)	(53.5)	(54.8)	(35.8)	(39.0)	(39.0)

Sources: CFO SIM, Thomson Reuters Eikon

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

€ m	FY1	FY2	FY3
EV/EBITDA (x)	5.21	5.78	5.18
PER (x)	6.97	6.62	6.62
Average	6.09	6.20	5.90
Weighting	0.0%	100.0%	0.0%
Equity Value/share €	6.20		
% upside/(downside)	-42.9%		

Sources: CFO SIM, Thomson Reuters Eikon



Peer Stock Performance

Labomar was listed on Euronext Growth Milan 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**, +80.8% 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
Catalent Inc	1.4	(0.4)	(2.6)	0.3	24.3	24.5	36.9
Clover Corporation Ltd	(1.5)	(2.3)	6.4	1.8	7.7	0.3	(8.7)
Fine Foods & Pharmaceuticals NTM SpA	-	(2.2)	(11.5)	(5.1)	18.9	50.0	41.9
Jubilant Pharmova Ltd	(0.5)	(2.9)	(0.5)	(2.3)	(33.4)	(18.5)	(5.5)
Lonza Group AG	(0.7)	(5.1)	(6.9)	(8.6)	21.8	23.6	27.4
Probi AB	4.2	12.2	15.3	(0.1)	(6.0)	7.9	17.4
Siegfried Holding AG	(0.4)	(4.1)	(7.8)	(4.6)	(1.6)	25.3	30.5
Median CDMO	(0.4)	(2.3)	(2.6)	(2.3)	7.7	23.6	27.4
Biesse SpA	(0.2)	(7.2)	(13.3)	(21.4)	(22.5)	25.7	35.2
Brembo SpA	(1.9)	(2.6)	4.1	(3.8)	14.9	9.0	5.0
Eurotech SpA	-	(13.6)	(0.7)	3.0	18.1	(1.5)	17.3
Interpump Group SpA	0.8	(2.6)	(3.3)	4.2	33.4	51.1	68.4
Lu-Ve SpA	(1.4)	(3.1)	(9.9)	(2.7)	39.9	57.0	50.5
Prima Industrie SpA	(2.6)	(8.7)	(9.3)	(19.4)	(23.0)	24.1	23.4
Median Domestic B2B	(0.8)	(5.2)	(6.3)	(3.2)	16.5	24.9	29.3
Labomar SpA	-	(7.3)	(10.7)	(23.6)	7.4	61.5	58.9
MSCI World Index	0.0	(0.7)	1.5	2.3	7.7	18.9	23.6
EUROSTOXX	(0.1)	(2.5)	1.1	1.2	6.4	19.6	21.8
FTSE Italia All Share	0.6	(2.7)	0.7	3.4	9.2	22.5	23.2
FTSE Italia STAR	0.4	(3.6)	(2.1)	0.2	17.2	38.5	48.6
FTSE Italia Growth	1.1	(1.7)	(0.2)	(0.6)	18.9	53.1	66.2

Source: Thomson Reuters Eikon

Table 17 – Labomar, relative performances

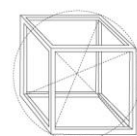
	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(0.0)	(6.6)	(12.2)	(25.9)	(0.3)	42.6	35.2
to EUROSTOXX	0.1	(4.8)	(11.8)	(24.8)	1.0	41.8	37.1
to FTSE Italia All Share	(0.6)	(4.6)	(11.4)	(27.0)	(1.8)	39.0	35.7
to FTSE Italia STAR	(0.4)	(3.7)	(8.6)	(23.8)	(9.8)	23.0	10.2
to FTSE Italia Growth	(1.1)	(5.6)	(10.5)	(23.0)	(11.5)	8.4	(7.3)
to CDMO Peer Median	0.4	(4.9)	(8.1)	(21.3)	(0.3)	37.9	31.4
to Domestic B2B Median	0.8	(2.1)	(4.4)	(20.4)	(9.1)	36.6	29.6

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 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 with higher firepower in the industry (i.e. private equity funds).



ANALYST CERTIFICATION

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

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DATE	TARGET PRICE	RATING
25/11/2021	€11.00	NEUTRAL
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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. 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.

