

Italy – Nutraceutical

Growing revenues driven by M&As and a recovering H2

21st January 2022

FY-21 REVENUES RELEASE

RIC: LBM.MI
BBG: LBM IM

Labomar reported FY-21 preliminary sales bang in line with CFO SIM projection. The group posted double-digit organic growth in H2-21, counterbalancing a weak H1. Thanks to the two strategic acquisitions made in 2021, the group is ready to confirm itself as a leading one-stop-shop CDMO able to provide its clients with a full-range of services.

Rating:
Neutral

Price Target:
€ 11.00

Upside/(Downside): 11.3%

Last Price: € 9.88

Market Cap.: € 183.1m

1Y High/Low: € 15.95 / € 6.96

Avg. Daily Turn. (3M, 6M): € 87k, € 148k

Free Float: 21.7%

Major shareholders:
LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-1.7%	-22.2%	38.2%
Rel.to FTSE IT Growth	-1.3%	-22.7%	-10.0%
Rel.to CDMO peers	1.0%	-17.7%	9.7%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Preliminary sales at € 65.4m, up 7.0% YoY, up 0.6% organically

Labomar reported FY-21 preliminary consolidated revenues to the tune of € 65.4m, up 7.0% YoY, as a result of increasing turnover thanks to both long-standing and new clients. Consolidated revenues include the consolidation of Welcare and Labiotre for six and one months, respectively, in addition to Labomar and ImportFab for the whole year. Organically, the group reported € 61.4m in revenues, up 0.6% YoY, supported by 10.0% organic growth in H2 (vs -7.5% in H1-21). On a pro-forma basis, namely by hypothetically consolidating Welcare and Labiotre for 12 months, FY-21 turnover would have been € 74.2m.

Revenues - € m	2017	2018	2019	2020	2021	CAGR ₁₇₋₂₁
Labomar stand-alone	41.9	43.5	47.0	51.8	53.8	6.5%
ImportFab	-	-	1.4	9.3	7.6	-
Welcare + Labiotre	-	-	-	-	4.0	-
Total	41.9	43.5	48.3	61.1	65.4	11.8%
% YoY	-	3.8%	11.2%	26.3%	7.0%	-

Source: CFO SIM elaboration on company data

Significant business acceleration in H2-21 both for Labomar and ImportFab

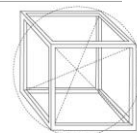
Labomar reported stand-alone preliminary sales to the tune of € 53.8m, up 3.9% YoY, thanks to a 9.2% increase in revenues in H2, broadly in line with its historical trend after a flat first semester. H1-21 was strongly affected by great difficulties in raw materials procurement and a significantly lower demand in the Probiotics and Cough & Cold segments. ImportFab totalled € 7.6m, down 18.1% YoY, mainly as a consequence of the manufacturing of functional cosmetics having been temporarily suspended by Canadian authorities during the lockdown periods in H1-21. In H2-21, ImportFab was able to operate at full capacity without further government restrictions, registering a 15.4% increase in turnover, partially counterbalancing the 42.0% drop reported in H1.

FY-21 preliminary sales bang in line with CFO SIM forecast

Labomar's FY-21 preliminary sales are perfectly aligned with our forecast of € 65.4m. However, it is worth mentioning that we assumed a more conservative approach compared to the guidance provided by the company when H1-21 results were released. The company had stated that it was confident to reach low-/ medium-single-digit organic top line growth in FY-21 (i.e. 3-4%), while we anticipated 1.0% organic growth. We believe Labomar is unquestionably a value player in the medium/long term: a fully vertically-integrated CDMO able to provide its clients with innovative and effective products in the field of dietary supplements, medical devices and functional cosmetics. Estimates, Rating and PT are confirmed. FY-21 results will be unveiled next 30-Mar.

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	25.7	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	-	-	-12.0%	29.1%	12.4%
Dividend	-	0.11	0.09	0.11	0.13
Dividend Yield	-	1.1%	0.9%	1.1%	1.3%
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	-	1.5%	-11.1%	2.9%	2.9%
PER x	-	20.5	36.7	26.4	23.5
EV/Sales x	-	2.09	3.15	2.46	2.23
EV/EBITDA x	-	10.4	19.3	13.4	11.5
EV/EBIT x	-	15.6	33.2	21.9	19.3

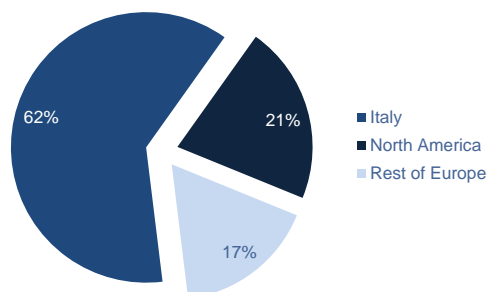


The Company at a Glance

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.

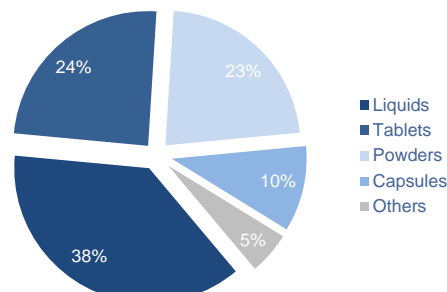
In 2020, total revenues were € 61.5m, adjusted EBITDA totalled € 12.3m, 20.1% margin and adjusted Net Profit was equal to € 6.1m (9.9% margin). Net Financial Position was € 3.4m, corresponding to 0.3x NFP/EBITDA adj.

2020 Revenues breakdown by geography*...



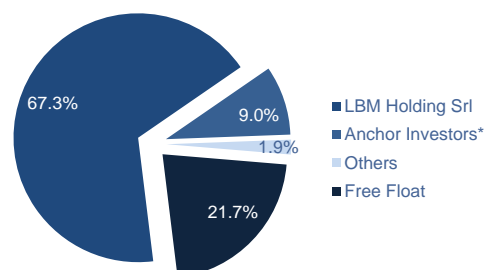
*including ImportFab

... and by pharmaceutical form**



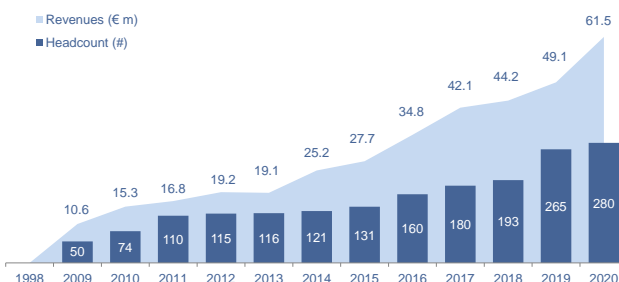
**Labomar stand-alone

Shareholder structure



Source: Company data *subject to lock-up

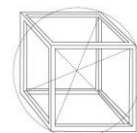
Top line and headcount evolution



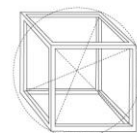
Peer group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	4.27	3.90	15.9	14.1	20.6	18.4	27.1	23.5
Clover Corporation Ltd	3.89	3.12	20.5	15.4	21.7	16.1	31.3	23.0
Fine Foods & Pharmaceuticals NTM SpA	1.46	1.37	11.3	9.8	22.5	18.2	28.2	22.1
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.2	12.4
Lonza Group AG	9.80	8.60	31.4	26.3	46.0	36.2	50.7	42.4
Probi AB	5.75	5.08	21.5	18.0	35.9	27.5	49.6	38.8
Siegfried Holding AG	3.58	3.17	19.1	15.7	32.8	24.7	37.1	27.7
Median CDMO	4.08	3.53	19.8	15.6	27.7	21.5	31.3	23.5
Biesse SpA	0.84	0.72	7.8	6.4	14.2	10.5	21.8	19.5
Brembo SpA	1.69	1.53	9.2	8.1	15.9	13.2	19.7	16.5
Eurotech SpA	2.58	1.68	67.0	9.2	n.m.	12.2	n.m.	12.2
Interpump Group SpA	4.19	3.50	17.5	14.9	22.4	19.0	28.8	24.8
Lu-Ve SpA	1.29	1.18	11.2	9.4	23.5	18.1	25.7	20.2
Prima Industrie SpA	0.77	0.64	9.3	5.9	25.0	10.7	40.0	12.7
Median Domestic B2B	1.49	1.35	10.3	8.6	22.4	12.7	25.7	18.0
Labomar SpA	3.15	2.46	19.3	13.4	33.2	21.9	36.7	26.4

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



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DATE	TARGET PRICE	RATING
21/01/2022	€11.00	NEUTRAL
18/01/2022	€11.00	NEUTRAL
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

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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.

