Italy – Nutraceutical

M&As and a recovering H2 counterbalanced a weak H1

6th April 2022

FY-21 RESULTS RELEASE

RIC: LBM.MI
BBG: LBM IM

Labomar reported 2021 results in line with CFO SIM's estimate in terms of revenues, while adj. EBITDA came in slightly lower than our projection. Bottom line benefited from some extraordinary income. Thanks to the two strategic acquisitions made in 2021, Labomar is ready to confirm its position as a leading one-stop-shop CDMO able to provide its customers with a full-range of services. The group expects double digit growth in 2022.

Rating:
Neutral

Price Target:
€ 11.00

Upside/(Downside): 12.9%

Last Price: € 9.74

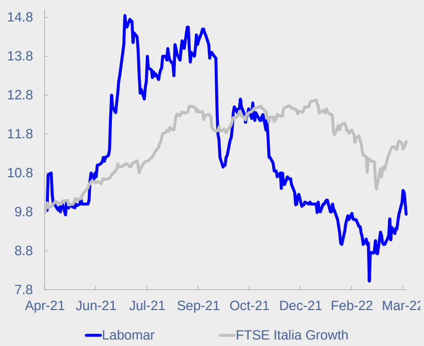
Market Cap.: € 181.1m

1Y High/Low: € 15.95 / € 8.02

Avg. Daily Turn. (3M, 6M): € 49k, € 84k

Free Float: 19.5%

Major shareholders:
LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	6.1%	-0.4%	4.5%
Rel.to FTSE IT Growth	-4.1%	7.9%	-17.9%
Rel.to CDMO peers	0.1%	26.7%	20.7%

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Estimates fine-tuned. Rating and PT unchanged

In 2021, Labomar unveiled growing revenues driven by M&As as well as by double-digit organic growth in H2, counterbalancing a weak H1. In 2022, the economic environment remains tough, as difficulties in the procurement of some raw materials persist. Following the FY-21 results release, we have updated our model, leaving almost unchanged top line growth and fine-tuning the cost structure by incorporating a certain price inflation with regard to raw materials. The combined result is an average 2.6% and 12.7% drop in adj. EBITDA and Net Profit in 2022-23, respectively. We have also introduced estimates for 2024. Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date and postponed the first valuation year to 2022. The combined result is an unchanged PT at € 11.00/s, broadly in line with current price levels. The stock is properly priced.

Significant business acceleration in H2 both for Labomar and ImportFab

Revenues totalled € 65.4m, up 7.1% YoY, as a result of increasing turnover thanks to both long-standing and new customers. The acquired companies contributed € 4.0m, thus, organically, the group reported € 61.4m in revenues, up 0.6% YoY, supported by 10.0% growth in H2 (vs -7.5% in H1-21). Labomar's stand-alone reported sales came to € 53.8m, up 3.9% YoY, thanks to a 9.2% increase in H2 after a flat H1. ImportFab totalled € 7.6m, down 18.1% YoY, because the manufacturing of functional cosmetics was temporarily suspended by Canadian authorities during lockdowns in H1. In H2, ImportFab was able to operate at full capacity without further restrictions, registering a 15.4% increase in turnover.

EBITDA affected by unfavourable sales mix and top management strengthening

EBITDA was € 10.1m (15.2% margin), down 10.7% YoY as a consequence of 1) a different product mix which was reflected by lower profitability and 2) the strengthening of top management and the operating structure. Welcare and Labiotre contributed € 1.3m, thus, on a like-for-like basis, EBITDA was € 8.8m. EBIT declined 67.1% YoY to € 2.4m, mainly on the back of the € 2.2m write-off stemming from the impairment test conducted on the ImportFab's goodwill. Net Profit came in at € 8.4m, up by 37.2% YoY, as a result of 1) € 5.5m of extraordinary income stemming from the fair value revaluation of the stake held in Labiotre before the acquisition of the majority of the company and 2) a € 0.4m benefit related to the settlement of the residual debt for the acquisition of ImportFab.

Increasing Net Debt stemming from the two strategic M&A deals finalised in 2021

NFP was € 28.2m debt, up from € 3.4m at end-20, mainly because of the € 19.0m cash-out related to the two acquisitions made in 2021. In addition, the NFP includes the IFRS16-related rights of use of € 4.6m as well as the figurative debt of € 7.2m related to the Put&Call option on the 30% of Welcare's share capital not yet held by Labomar.

Labomar, key financials and ratios

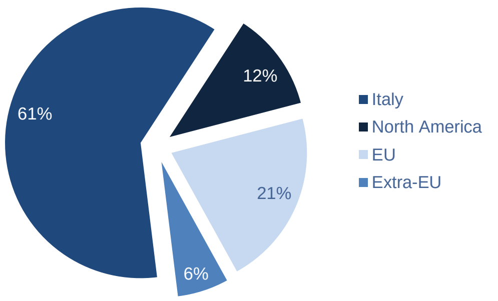
€ m	2020	2021	2022e	2023e	2024e
Value of Production	61.5	66.5	83.3	90.7	97.6
EBITDA	11.3	10.1	14.9	17.0	20.0
EBITDA Adjusted	12.3	10.1	14.9	17.0	20.0
EBIT	7.3	2.4	8.0	9.2	11.7
Net Profit	6.1	8.4	6.0	6.9	8.8
NFP (cash)/debt	3.4	28.2	24.2	19.8	13.4
EBITDA adj. margin	20.0%	15.2%	17.9%	18.8%	20.5%
EPS	0.33	0.45	0.32	0.37	0.48
EPS growth	-	*37.2%*	*-28.5%*	*14.9%*	*28.0%*
Dividend	0.11	0.10	0.10	0.11	0.14
Dividend Yield	1.1%	1.0%	1.0%	1.1%	1.5%
ROCE	9.4%	2.7%	8.5%	9.2%	10.8%
NWC/Sales	10.2%	17.7%	17.2%	16.9%	16.6%
Free Cash Flow Yield	1.4%	-5.8%	3.2%	3.5%	4.6%
PER x	20.5	24.2	30.3	26.4	20.6
EV/Sales x	2.09	3.47	2.46	2.22	1.99
EV/EBITDA x	10.5	22.8	13.8	11.8	9.7
EV/EBIT x	15.6	96.5	25.6	21.9	16.6

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 companies 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. Labomar as a stand-alone reported a 11.5% organic sales CAGR$_{14\text{-}21}$ 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 16.7% CAGR$_{14\text{-}21PF}$ in the same period, resulting in a wider product portfolio and access to new countries.

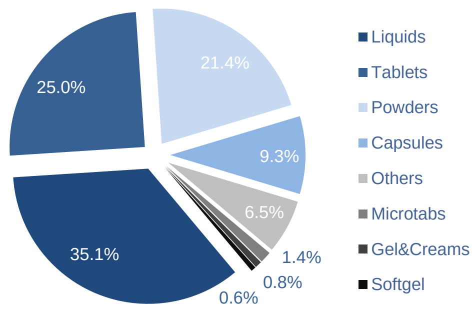
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1% margin.

2021 Revenues breakdown by geography*…



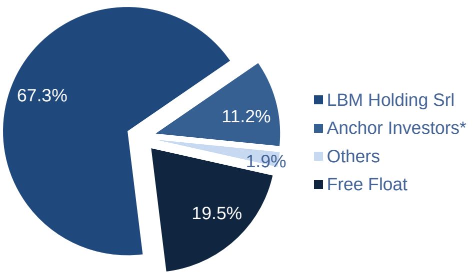
*consolidated figures

… and by pharmaceutical form**



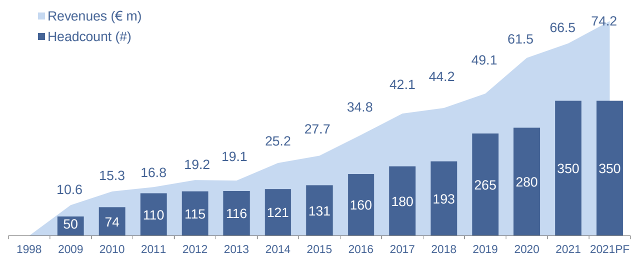
**Labomar stand-alone

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	4.83	4.39	18.7	16.4	25.0	21.2	31.6	26.5
Clover Corporation Ltd	3.54	2.83	21.8	15.7	23.5	16.6	34.5	23.8
Fine Foods & Pharmaceuticals NTM SpA	0.97	0.83	8.0	6.1	17.2	11.1	20.3	14.0
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.6	13.5
Lonza Group AG	8.68	7.68	27.4	23.4	38.0	31.9	44.6	37.8
Probi AB	5.29	4.82	18.1	16.0	27.7	23.7	38.4	33.9
Siegfried Holding AG	3.38	3.20	16.4	15.3	25.8	23.7	29.4	26.5
Median CDMO	**4.18**	**3.79**	**18.4**	**15.9**	**25.4**	**22.5**	**31.6**	**26.5**
Biesse SpA	0.43	0.43	4.3	4.0	8.7	7.1	17.8	13.6
Brembo SpA	1.22	1.12	6.9	6.2	11.7	10.3	14.3	12.9
Eurotech SpA	1.15	0.75	6.3	3.0	8.3	3.5	8.6	4.7
Interpump Group SpA	2.60	2.43	11.2	10.4	14.4	13.1	18.6	17.5
Lu-Ve SpA	1.07	0.92	9.2	7.4	16.9	13.8	19.0	15.1
Prima Industrie SpA	0.55	0.47	5.3	3.8	9.5	5.7	11.1	6.7
Median Domestic B2B	**1.11**	**0.84**	**6.6**	**5.1**	**10.6**	**8.7**	**16.1**	**13.3**
Labomar SpA	**2.46**	**2.22**	**13.8**	**11.8**	**25.6**	**21.9**	**30.3**	**26.4**

Sources: CFO Sim, Thomson Reuters Eikon

Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	61.1	65.4	82.6	89.9	96.7
Value of Production	61.5	66.5	83.3	90.7	97.6
Raw material and processing	(26.6)	(29.9)	(35.8)	(38.1)	(41.0)
Services	(10.0)	(11.9)	(14.2)	(15.0)	(15.6)
Personnel expenses	(13.5)	(14.3)	(18.1)	(20.4)	(20.8)
Other opex	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)
EBITDA	11.3	10.1	14.9	17.0	20.0
D&A	(4.0)	(7.7)	(6.9)	(7.9)	(8.3)
EBIT	7.3	2.4	8.0	9.2	11.7
Financials	(0.2)	0.2	(0.3)	(0.3)	(0.3)
Re/(Devaluation) of financial assets	0.5	5.9	0.0	0.0	0.0
Forex gain/(loss)	(0.6)	0.5	0.0	0.0	0.0
Pre-Tax profit	6.9	9.0	7.8	8.9	11.4
Income taxes	(0.8)	(0.7)	(1.8)	(2.1)	(2.6)
Minorities	0.0	0.1	0.0	0.0	0.0
Net Profit	6.1	8.4	6.0	6.9	8.8
EBITDA Adjusted	12.3	10.1	14.9	17.0	20.0
EBIT Adjusted	8.2	2.4	8.0	9.2	11.7
Net Profit Adjusted	6.1	8.4	6.0	6.9	8.8

Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	6.3	11.8	14.4	15.4	16.2
Net Fixed Assets	36.0	69.2	68.8	69.5	69.7
Equity Investments	1.9	1.0	1.0	1.0	1.0
Other M/L Term A/L	(2.5)	(8.1)	(10.1)	(11.2)	(11.8)
Net Invested Capital	41.7	73.9	74.0	74.6	75.0
Net Financial Debt	3.4	28.2	24.2	19.8	13.4
Minorities	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	38.2	45.7	49.8	54.9	61.6
Financial Liabilities & Equity	41.7	73.9	74.0	74.6	75.0

Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	6.1	8.4	6.0	6.9	8.8
Depreciation	4.0	7.7	6.9	7.9	8.3
Other non-cash charges	(2.4)	(2.0)	2.1	1.0	0.6
Cash Flow from Oper. (CFO)	7.8	14.1	15.0	15.8	17.7
Change in NWC	0.6	(5.5)	(2.6)	(1.0)	(0.8)
FCF from Operations (FCFO)	8.4	8.6	12.4	14.8	16.9
Net Investments (CFI)	(5.7)	(19.2)	(6.5)	(8.5)	(8.5)
Free CF to the Firm (FCFF)	2.6	(10.6)	5.9	6.3	8.4
CF from financials (CFF)	20.2	(9.8)	(0.8)	(2.9)	(1.0)
Free Cash Flow to Equity (FCFE)	22.8	(20.4)	5.1	3.4	7.3

Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	20.0%	15.2%	17.9%	18.8%	20.5%
EBIT adj. margin	13.4%	3.6%	9.6%	10.1%	12.0%
Net profit adj. margin	9.9%	12.6%	7.2%	7.6%	9.0%
Tax rate	11.6%	8.1%	23.0%	23.0%	23.0%
Op NWC/Sales	10.2%	17.7%	17.2%	16.9%	16.6%
Interest coverage x	30.28	(10.71)	29.55	34.76	43.00
Net Debt/EBITDA x	0.30	2.79	1.62	1.16	0.67
Debt-to-Equity x	0.09	0.62	0.48	0.36	0.22
ROIC	14.6%	11.3%	8.1%	9.2%	11.7%
ROCE	9.4%	2.7%	8.5%	9.2%	10.8%
ROACE	11.7%	2.9%	8.8%	9.4%	11.2%
ROE	15.9%	18.3%	12.0%	12.5%	14.3%
Payout ratio	33.4%	22.1%	30.9%	30.0%	30.0%

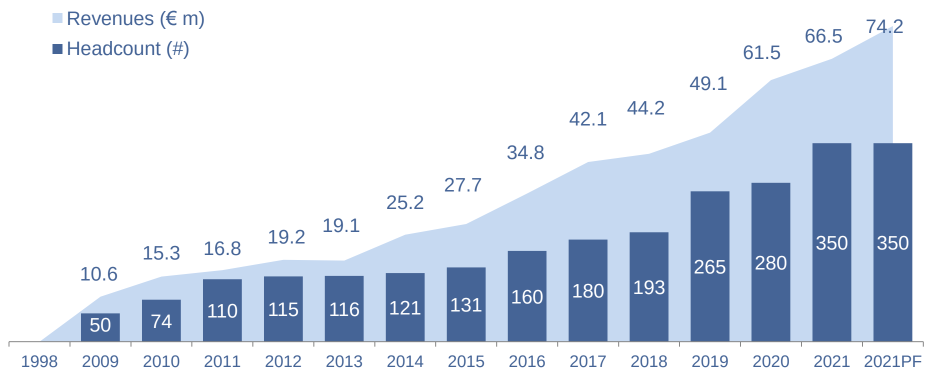
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	18.48	18.48	18.48	18.48	18.48
Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
Average Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
EPS stated FD €	0.33	0.45	0.32	0.37	0.48
EPS adjusted FD €	0.33	0.45	0.32	0.37	0.48
EBITDA €	0.61	0.55	0.81	0.92	1.08
EBIT €	0.39	0.13	0.43	0.50	0.63
BV €	2.07	2.47	2.70	2.97	3.33
FCFO €	0.45	0.46	0.67	0.80	0.91
FCFF €	0.14	(0.57)	0.32	0.34	0.45
FCFE €	1.24	(1.10)	0.27	0.18	0.40
Dividend €	0.11	0.10	0.10	0.11	0.14

1. Labomar in a Nutshell

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 companies with high-grade value-added technological content dietary supplements and medical devices. Labomar seeks to be the **reference partner for customers looking for innovative and effective products, able to improve people's wellness**.

Labomar as a stand-alone reported an **11.5% organic sales $CAGR_{14\text{-}21}$** 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 16.7% $CAGR_{14\text{-}21PF}$** in the same period, resulting in a wider product portfolio and access to new countries.

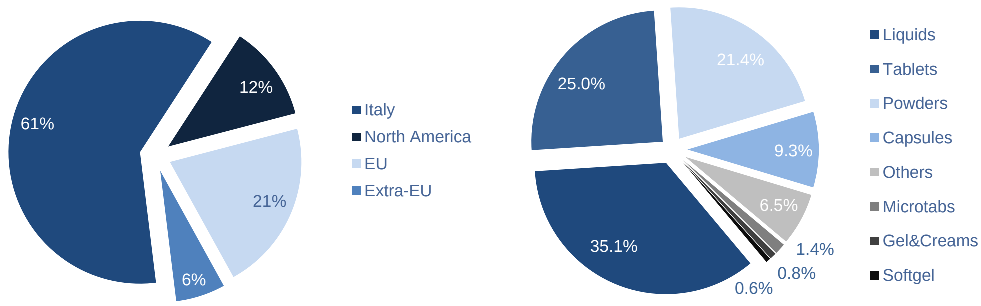
Chart 1 – Labomar, 2009-21PF top line and headcount evolution



Source: CFO SIM elaboration on AIDA and Company data

The group's global export sales account for 39% of total. In terms of dosage form, 35% of Labomar's turnover comes from liquids, 25% from tablets, 21% from powders, 9% from capsules and the remaining 10% from other dosage forms. Moreover, **37% of revenues derive from proprietary patents, patent applications and know-how:** the group has **17 proprietary patent families** (two of which are jointly-owned with a third party).

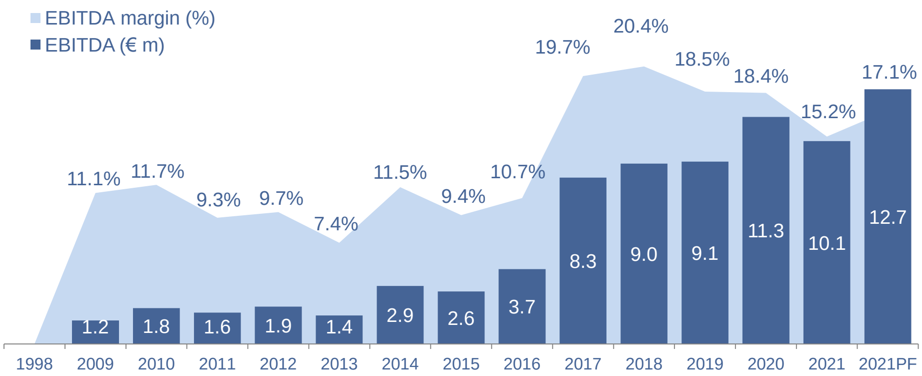
Chart 2 – Labomar, 2021 top line breakdown by geography* and pharmaceutical form**



*Source: Company data   *consolidated figures   ** Labomar stand alone*

In 2021, total revenues were € 64.5m, adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1% margin.

Chart 3 – Labomar, 2009-21PF EBITDA and EBITDA margin evolution



Source: CFO SIM elaboration on AIDA and Company data

Labomar provides its customers with a **full range of services from R&D activity to packaging of finished products**. The group's selling proposition includes dietary supplements, medical devices and other segments, namely food for special medical purposes, functional food, functional cosmetics and, through ImportFab, pharmaceutical products. It is worth noting that the group is able to run **tailor-made solutions based on proprietary patents, patent applications and know-how across a wide range of therapeutic areas** (gastro-intestinal, respiratory, cardiovascular, nervous, genitourinary and antioxidant) **via several dosage forms** (tablets, capsules, liquids, powders and semi-solids).

The group has an **extremely high-quality and well-balanced customer portfolio**, composed of about **270 customers**, among which big pharma players, nutraceutical companies and functional cosmetics players. Since 2014, Labomar has been increasing the **share of wallet** with its customers, reaching on average c. **€ 280k per customer in 2021** (+40% over the last 7 years). As of today, the group provides its customers with **about 1,500 different Stock Keeping Units (SKUs)** per year, with c. **€ 50k revenues per SKU on average**.

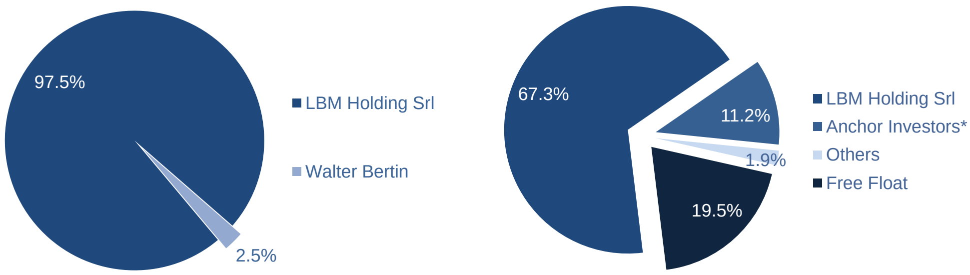
Labomar has a unique salesforce compared to other CDMOs. As of today, it comprises **12 Business Development Managers – BDMs**, namely professionals with high seniority and a good relationship network in the pharmaceutical sector. Each BDM has a portfolio of about 20 customers and works closely with a team leader, which is a Labomar employee and reports directly to the head of sales. Furthermore, the group has a **distinctive selling proposition** compared to other CDMOs: thanks to a **catalogue of several ready-to-market products** (about 150 SKUs), Labomar is able to **intercept all the diversified needs of its existing and potential customers**, reducing time-to-market, increasing the share of wallet and cementing trust-based relationships with customers.

Furthermore, Labomar pays close attention to **ESG principles**, both in terms of sustainability and circular economy as well as the well-being of its employees and the local community. Labomar became a Benefit company in August 2020 and its goal is to achieve the **B-CORP certification** by the end of 2022. According to an internal self-assessment, **Labomar is already compliant with the requirements for achieving the B-Corp certification and it is awaiting audit by the certification body**. Furthermore, in 2021, the group drew up its first **Annual Impact Report**, identifying 13 KPIs according to the GRI (Global Reporting Initiative) standards in order to report its economic, social and environmental performances. In particular, a strong focus is placed on the supply chain: all the suppliers have to be reliable, qualified and constantly monitored in order to respect the highest sustainability standards.

2. Group and Shareholder Structure

Labomar went public on Euronext Growth Milan on **5th October 2020 at € 6.00/share with a market capitalisation of € 110.9m** and a free float of 17.9%. Pre-IPO shareholders have an 18-month lock-up. The IPO encompassed a **primary offering of € 26.0m.** Moreover, an overallotment **greenshoe option** was provided by the controlling shareholder **for € 3.9m** and it was entirely exercised by the global coordinator on 14th October. Pre-IPO Labomar was fully-owned by Walter Bertin, 97.5% through LBM Holding Srl and 2.5% directly.

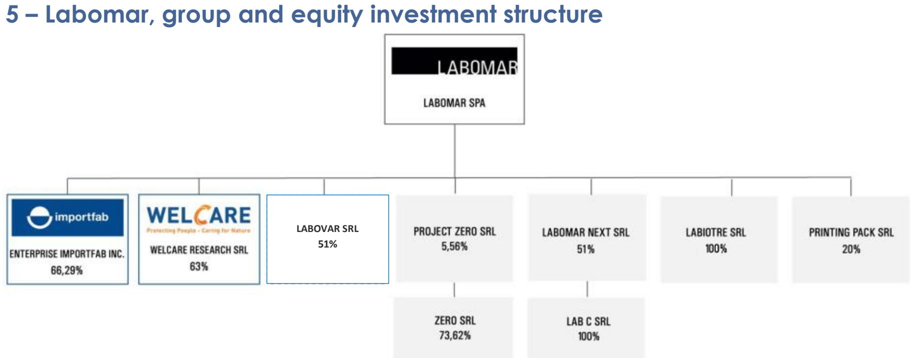
Chart 4 – Labomar, Pre-IPO and current shareholder structure



*Source: Company data   * subjected to lock-up*

Two anchor investors subscribed the primary offering for a total amount of € 10.0m as a result of two different investment agreements signed before the IPO. In detail, Master Lab and Value First invested € 7.0m and € 3.0m, respectively.

Chart 5 – Labomar, group and equity investment structure



Source: Company presentation

In addition to Labomar SpA, the consolidation scope includes:

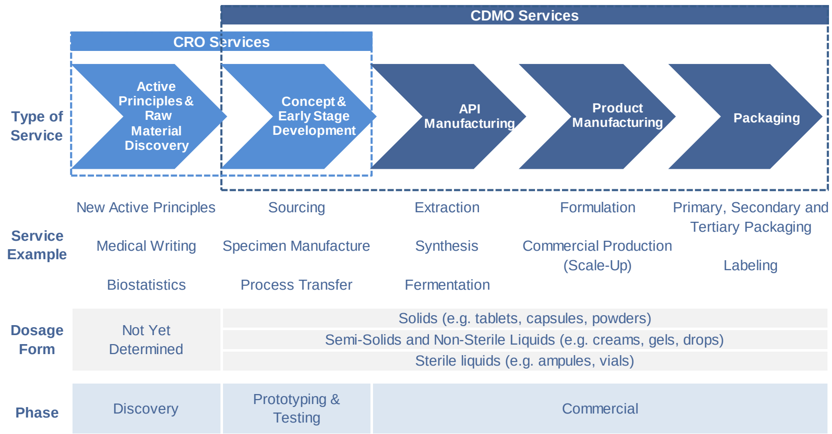
- **ImportFab Inc.** is a CMO based in Canada specialising in pharmaceuticals, nutraceuticals and cosmetics.
- **Welcare Research Srl** develops, manufactures and markets medical devices to prevent and treat infections and to manage skin injuries of varying types.
- **Labomar Next Srl** (formerly Herbae) is involved in the production and B2B sale of finished raw materials produced from biomass grown in vertical farms.
- **Labiotre Srl**, a supplier of botanical extracts and active ingredients with certified physiological action using the most modern pharmaceutical techniques. They are among the raw materials used by Labomar in several different products.
- **LaboVar Srl** was established thanks to an industrial partnership with Var Group, a subsidiary of Sesa, with the aim of developing an e-commerce platform for the Chinese market in order to sell Labomar's nutraceuticals products in China.

Moreover, Labomar has **equity investments** in 1) **Project Zero Srl,** which holds 73.62% of Zero Srl, a company developing vertical farming techniques for the crops used for vegetable and herbal extracts and 2) **Printing Pack Srl**, a supplier of packaging materials.

3. The Reference Market: CDMO

The ***Contract Development and Manufacturing Organisation*** industry started out decades ago as a niche service, offering additional manufacturing capacity and specialty services to pharmaceutical companies. The rise of CDMOs was fuelled by failure stories in the pharmaceutical industry. In the past, pharmaceutical companies often installed dedicated manufacturing capacities for developing innovative products, only to see them fail during the last phases of clinical research trials. Thus, the additional manufacturing capacity for those specific products was no longer needed. In order to reduce the risk of overcapacity, which would be very expensive, the demand for outsourced manufacturing is continuously increased.

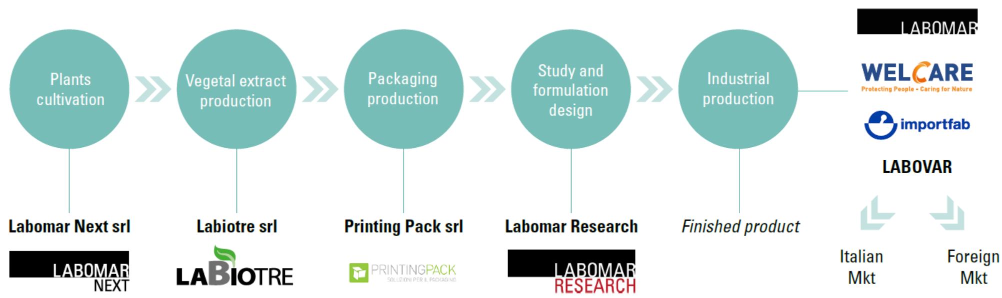
Chart 5 – Labomar, overview of CRO and CDMO services



Source: PwC, Current trend and strategic options in the pharma CDMO market

The leading CDMOs, as well as Labomar being one of them, are clearly committed to broadening the service offering in line with the one-stop-shop model, becoming **fully integrated players offering their customers services across the entire product life-cycle**, from discovery to packaging, as well as across all key geographies. **One-stop-shop CDMOs** stand out for the convenience and complexity reduction that they offer to their customers: the idea is to offer a multitude of services to a customer, who should benefit from the convenience and time and cost efficiency of dealing with a single provider. Furthermore, through a one-stop-shop model, CDMOs are able to increase the addressable market size and to boost opportunities to gain a larger share of customer spending (i.e. increase its share of wallet).

Chart 6 – Labomar, one-stop-shop CDMO

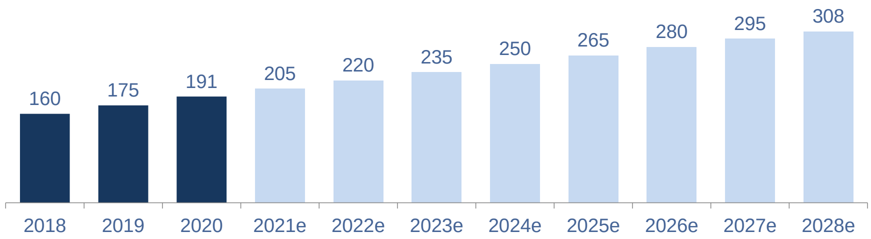


Source: Company presentation

3.1. Global Dietary Supplements

Labomar mainly operates in the dietary supplements and medical devices segment. This segment of the market is also called **nutraceutical** and includes functional foods, vitamins, supplements and foods for special medical purposes. Nutraceutical products are used both for **healthcare treatment and prevention purposes**. A dietary supplement can be defined as any vitamin, mineral, fibre, botanical or herbal product that is added to the diet to improve human health. The **global dietary supplements** market is expected to reach **$ 205bn in 2021** and **is anticipated to grow with a 6.0% CAGR$_{21-28}$.**

Chart 7 – Labomar, Global Dietary Supplements market - $ bn



Source: Statista

In accordance with a report published by Mediobanca, the **Italian market** totalled **€ 3.8bn in 2020 and is anticipated to reach € 4.8bn in 2025 (CAGR$_{20-25}$ of 5.0%).**

3.2. The Competitive Arena

The CDMO sector is characterised by **great fragmentation**, with over 1,000 companies worldwide as either pure CDMOs or companies with some CDMO services or capabilities. The **top 10 players hold less than 20% of the total market share** and there are approximately 20 CDMOs generating in excess of $ 500m revenues (source Results Healthcare). Furthermore, **3/4 of the CDMO global market is composed of companies generating less than $ 50m in annual revenues.** However, there have been strong M&A activities in the sector in recent years. To strengthen their competitiveness, CDMOs are thus choosing to merge, either to extend their range of services for existing dosage forms or to enter the market of new dosage forms. The CDMO industry is expected to remain a very attractive sector for the M&A activity in the future.

All in all, the **CDMO sector is facing a consolidation process**, mainly on the back of **big pharma companies' trend of simplifying their supply chain** and working with **fewer manufacturing partners.** Over the past five years, M&A activity within the sector has been strong with around 40 to 60 transactions per annum. The consolidation process has been driven by large public CDMOs, such as Recipharm, Catalent and AMRI. On the other hand, private equity funds have also been highly active in the sector over the past five years and might play an increasing role in sector consolidation in the future. For example, the European Private Equity company **Ardian recently acquired 70% of the leading Italian CDMO Biofarma Group** from White Bridge Investments **for about € 1.1bn**, thus valuing the company at **more than 20x EBITDA**. The strong interest in the nutraceutical and cosmetics sectors is also confirmed by another deal, namely the **acquisition of Farma Derma by Specchiasol** (controlled by White Bridge), two Italian B2C leading companies operating in the field of food supplements, medical devices and cosmetics.

Among Italian CDMOs, **Labomar is unquestionably well-positioned to exploit the sector's consolidation trend.** The group is able to offer its customers a wide portfolio of products and services, being a **one-stop-shop CDMO**. Labomar's product portfolio is broader than its competitors' and includes food supplements, medical devices, food for special medical purposes, functional foods and functional cosmetics.

4. Strategy

The group's growth strategy is based both on organic and external growth. In line with its growth path, Labomar's principal strategy is focused on:

- **Consolidation of the market share in Italy**: thanks to its strong R&D effort, the wide ready-to-market product portfolio and the ability to manage several different delivery forms, Labomar is well positioned to increase its share of wallet among the multinational pharmaceutical companies.
- **Organic geographical expansion:** the strategy is to 1) identify the best target customers in every country, namely big pharma companies with a strong brand awareness and a capillary sales network, 2) classify their needs and 3) intercept them with a proactive go-to-market approach, suggesting new solutions, innovative formulas and advanced dosage forms.
- **New L6 plant:** Labomar is investing in the construction of a new plant in Italy, near the current headquarters, with the aim of aggregating all the business operations, in order to increase the production capacity and improve operating efficiency. Labomar will be investing € 15-20m, entirely **self-financed,** in a **modular project**, which can be carried out in different steps. For now, **the priority is to build a new warehouse** in order to increase the current storage capacity, consequently reducing the use of third-party warehouses. Although only around 60% of Labomar's production capacity is currently being used, we believe that this huge investment as of today is **a shrewd move to properly take advantage of the expected increase in demand in the medium-term.**
- **Making the most of synergies with the companies acquired:** thanks to the acquisitions completed, Labomar is now able to cover the whole value chain, from plant cultivation to the production of finished products. In particular:
  - ✓ Thanks to the acquisition of **ImportFab** Labomar entered the buoyant US and Canadian markets, which are now able to locally manufacture different kinds of product, such as liquids and semi-solids, which are hard and costly to deliver far from the productive plant. The goal is to make the most of **cross-selling opportunities** with US big pharma companies, **cross-fertilisation synergies** to transform ImportFab from a pure CMO to a CDMO **and up-selling opportunities,** by offering a local production plant to the European customers that also distribute in Canada and the US.
  - ✓ The acquisition of **Welcare** allows Labomar to **expand the group's product portfolio** by adding innovative and patented solutions to the skincare niche. Welcare perfectly fits with Labomar thanks to a synergic business model, a complementary product portfolio and customer base, in addition to different geographical coverage.
  - ✓ With **Labiotre** Labomar is able to closely monitor the **production of high-quality raw materials**, essential for developing excellent products. The integration of Labiotre coupled with the group's subsidiary **Labomar Next**, specialised in the cultivation of medical herbaceous plants through aeroponic vertical farming techniques, will allow Labomar to expand the supply chain to include raw material production. Furthermore, Labomar plans to **push Labiotre's commercial activity** with the aim of expanding its customer base.
- **M&A opportunities:** in our view, according to market dynamics, the **potential targets may have different profiles**, namely: i) European companies with a significant international presence in order to have direct access to new geographical markets; ii) companies owning innovative patents and technological platforms able to improve and expand Labomar's product portfolio; iii) companies focused on the probiotics segment, not yet covered by the group; iv) US companies operating in adjacent segments of the market or dealing with different customers from ImportFab's.

5. Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are the result of the **simultaneous interaction of five forces**. Their analysis allows for the evaluation of the competitive position of a company within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

The Nutraceutical CDMO segment in which Labomar operates is a business that can be labelled as **RATHER ATTRACTIVE** and characterised by:

- **A monopolistic competition market:** Labomar is a small/medium sized player in a highly fragmented industry with a large number of small players, which are not necessarily direct competitors but rather possible M&A targets. Production capacity is not an issue in this segment, also on the back of the great number of sub-suppliers out there. The consistent high level of quality and service offered makes the difference: originality and differentiation of the products are key competitive advantages. Labomar is a true partner to customers.
- **No issue of weighty suppliers**. Labomar has an extremely flexible production structure, with approximately 70-30 variable-fixed costs: the recourse to external production capacity for certain low-value-added manufacturing is rather significant. The group directly manages every strategic activity (i.e. R&D of active ingredients and formulas, quality control). With regard to raw material procurement, Labomar has an extensive list of selected suppliers, and therefore no purchase concentration risks. The Italian-based plants' capacity utilisation is almost 65%, whereas that of ImportFab's plants is around 40-50%. Labomar has adequate capacity to support growth and plenty of room to maintain flexibility.
- **Well-balanced customer base**. The top customer accounts for 5.4% of 2021 turnover, while the top ten account for 33.9% and top twenty-five account for 56.8%. The majority of customers have been loyal for more than 10 years. Labomar is their reliable R&D, development, production and technology solution partner. Since 2014, the share of wallet increased by c. 40% to € 280k from € 198k per customer.
- **Rather robust barriers to entry,** represented by originality and differentiation of the products, their consistent quality and the level of services. Labomar is a true partner to customers. The price is relevant but is not on the podium. Furthermore, reliable high levels of technological innovation/development as well as compliance with high sustainability standard levels represent defendable entry barriers, corroborated by constant and enduring R&D investment.
- **The substantial absence of potential substitutes.** There is a low threat of substitution in static terms and limited cross-elasticity of goods. The pharmaceutical form could vary, but not the function of nutraceuticals.

Chart 8 – Porter's 5 forces industry summary

Rivalry amongst competitors	Low Medium	An imperfect competition market in a rather competitive transition towards an oligopoly Highly fragmented industry, Labomar is a consolidating player Production capacity is not an issue, price is not the key aspect	+/- + +	+/-
Bargaining power of suppliers	Low	Key strategic activities performed in house Ingredient producers and other suppliers are largely availabel on the market	+ +	+
Bargaining power of customers	Medium Low	The first 15 clients have more than 5Y seniority Clients tend to externalise R&D and production rather than vertically integrate Share of wallet increased 40% in 2014-21	+ + +/-	+/-
Threats of new entrants	Medium Low	Quality, service, differentiation, innovation and R&D capacity make the difference Labomar is a true and reliable partner to pharmacompanies The time needed to develope a structure and develop relationship might deter new comers	+ + +/-	+/-
Threats of potential substitutes	Low	Low threat of substitution in static terms, limited cross-elasticity of goods To a lesser extent, the pharmaceutical form could vary, not the function of nutraceuticals	+ +	+

Source: CFO Sim, Company data

6. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out with regard to a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

- **Strengths**: characteristics of the business that give it an advantage over others.
- **Weaknesses**: characteristics that place the business at a disadvantage vs. others.
- **Opportunities**: elements that the project could use to its advantage.
- **Threats**: elements in the environment that could cause harm or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

S.W.O.T. Analysis

STRENGTHS	WEAKNESSES
Well-structured R&D team managing over 800 projects per year	**A tiny portion of the new formulas** developed by the R&D dept. **results in the manufacturing of new products**
Wide product portfolio with several **ready-to-market** solutions	**Customers ask for specific products that Labomar is not able to provide yet**
Coverage of the entire value-chain	Relatively small number of **publications/clinical studies**
Ability to deliver **tailor-made solutions** across **numerous therapeutic areas** based on proprietary technologies	
Strong EBITDA/FCF conversion	
Unique salesforce able to proactively understand the customer's needs	

OPPORTUNITIES	THREATS
The **increasing outsourcing trend** by pharma companies, both in terms of R&D and production	**Highly-skilled labour is scarce,** namely in the R&D dept.
Consolidation of the CDMO sector: Labomar could be an industrial aggregator	**Other potential consolidating actors in the industry** with huge fire power (i.e. private equity funds)
Big Pharma are consolidating their supplier base, choosing partners able to offer services across the entire product life-cycle	**Increasing regulation** or change in the regulatory framework

ESG Profile

Labomar pays **close attention to Environmental Social and Governance principles**, both in terms of sustainability and circular economy as well as the well-being of its employees and the local community. Labomar became a **Benefit Company** in 2020 and its goal is to **achieve the B-Corp certification by the end of 2022**. The group identified 13 KPIs according to the GRI (Global Reporting Initiative) standards in order to report its economic, social and environmental performance. In particular, a strong focus is placed on the supply chain: all the suppliers have to be reliable, qualified and constantly monitored in order to respect the highest sustainability standards.

Chart 9 – Labomar, ESG Profile

Environmental

- Environmental Management Project: the main objectives are
  - ✓ 100% electricity from renewable energy sources
  - ✓ implementation of an environmental management system (ISO 14001 certification and Greenhouse Gas Protocol)
  - ✓ starting to set up the group's electric car fleet
  - ✓ reduction in the use of plastic in dining areas
  - ✓ increase in the use of certified paper
- Sustainable Packaging Project: the main goal is to sustainably innovate packaging in line with Life Cycle Thinking, Circular Economy and Bio-based Economy principles
- Sustainable Supply Project: the goal is to create a supplier management policy that entails prioritising suppliers that generate social and environmental value
- Zero Waste Project: waste reduction and sustainable purchasing activities

Social

- Labomar provides information about the composition of its workforce
- LBM always conducts quality controls on its premises, processes and products in line with the Good Manufacturing Practice standards
- R&D investments (4% of sales), +800 new formulas per year, 15 patents (o/w 2 under development), 16 publications, 2 clinical trials, ISO 9001 certification
- Whistleblowing Procedure
- People & Well-Being program: a series of activities aimed at 1) investing in training courses and professional development plans, 2) promoting well-being and corporate welfare, 3) sharing values and 4) encouraging the inclusion and diversity
- Local love program: charity, sponsorship, events and local initiatives in order to establish an important relationship with local entities

Governance

- Publication of the Impact Report
- Benefit Company since 2020: according to an internal self-assessment, Labomar is already compliant with the requirements for achieving the B-Corp certification and it is awaiting audit by the certification body
- BeCircular, the Labomar's sustainability programme managed by eleven internal team leaders supported by five external professionals of the Ca' Foscari University of Venice
- Organisational Model pursuant to Legislative Decree no. 231/2001
- Code of Ethics
- List voting: 10%
- 7 members, 1 Independent Director, 1 woman in the BoD

Source: CFO Sim analysis on company data

7. FY-21 Results

Labomar reported 2021 results in line with CFO SIM's estimate in terms of revenues, while adjusted EBITDA came in lower than our projection, mainly on the back of the higher than expected impact of costs for raw materials. Bottom line benefited from some extraordinary income. The group expects double digit growth in 2022.

Table 1 – Labomar, FY 2021-20 results summary

€ m	2021	2020	% YoY	2021e	% Diff.
Revenues	**65.4**	**61.1**	***7.1***	**65.4**	***0.1***
Increase in finished products	0.0	0.0		0.0	
Other revenues	1.1	0.4		1.0	
Value of Production	**66.5**	**61.5**	***8.1***	**66.3**	***0.3***
Raw material and processing	(29.9)	(26.6)		(29.2)	
Services	(11.9)	(10.0)		(9.5)	
Personnel expenses	(14.3)	(13.5)		(16.0)	
Other opex	(0.3)	(0.2)		(0.2)	
EBITDA	**10.1**	**11.3**	***(10.7)***	**11.3**	***(10.8)***
% margin	*15.2*	*18.4*		*17.1*	
D&A	(7.7)	(4.0)		(4.6)	
EBIT	**2.4**	**7.3**	***(67.1)***	**6.8**	***(64.8)***
% margin	*3.6*	*11.8*		*10.2*	
Financials	0.2	(0.2)		(0.4)	
Re/(Devaluation) of financial assets	5.9	0.5		0.5	
Forex gain/(loss)	0.5	(0.6)		0.0	
Pre-Tax profit	**9.0**	**6.9**	***30.5***	**7.0**	***29.2***
% margin	*13.5*	*11.2*		*10.5*	
Income taxes	(0.7)	(0.8)		(1.6)	
Tax rate	*8.1%*	*11.6%*		*23.0%*	
Minorities	0.1	0.0		0.0	
Net Profit	**8.4**	**6.1**	***37.2***	**5.4**	***56.0***
% margin	*12.6*	*9.9*		*8.1*	
EBITDA Adjusted	**10.1**	**12.3**	***(17.7)***	**10.8**	***(6.7)***
% margin	*15.2*	*20.0*		*16.4*	
Net Financial Position	**28.2**	**3.4**	***n.m.***	**25.7**	***9.7***
Net Equity	**45.7**	**38.2**	***19.5***	**41.6**	***9.9***

Source: Company data, CFO SIM estimates

Revenues totalled € 65.4m, up 7.1% YoY, as a result of increasing turnover thanks to both long-standing and new customers. Revenues include the consolidation of Welcare and Labiotre for six months and one month, respectively, in addition to Labomar and ImportFab for the whole year. The acquired companies contributed € 4.0m, thus, **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 was € 74.2m.

Labomar reported stand-alone 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 lockdowns 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 offsetting the 42.0% drop reported in H1.

EBITDA was € 10.1m (15.2% margin), down 10.7% YoY as a consequence of 1) a different product mix which was reflected in lower profitability and 2) the strengthening of top management and the operating structure. The companies acquired contributed € 1.3m to consolidated EBITDA, thus, on a like-for-like basis, EBITDA was € 8.8m.

EBITDA adjusted for non-recurring costs stood at € 10.1m, too. In particular, extraordinary items refer to 1) a non-recurring tax credit equal to € 0.5m related to the costs incurred for the listing on EGM and 2) non-recurring costs for a total of € 0.5m related to the acquisitions made in 2021. On a pro-forma basis EBITDA reached € 12.7m, 17.1% margin.

EBIT declined 67.1% YoY to € 2.4m, mainly on the back of the € 2.2m write-off (€ 1.6m net of tax effect) stemming from the impairment test conducted on ImportFab's goodwill.

Net Profit came in at € 8.4m, up by 37.2% YoY, as a result of 1) € 5.5m income stemming from the fair value revaluation of the stake held in Labiotre before the acquisition of the majority of the company and 2) a € 0.4m benefit (net of its tax effect) related to the settlement of the residual debt for the acquisition of ImportFab. At the AGM, the BoD will propose the distribution of **€ 0.10 dividend per share** (vs our estimate of € 0.09).

Net Financial Position was € 28.2m debt, up from € 3.4m at end-20, mainly because of the € 19.0m cash-out related to the acquisitions made in 2021 (70% of Welcare and 68.8% of Labiotre). In addition, the Net Financial Position includes the rights of use stemming from long-term leases and rent, accounting for € 4.6m (in accordance with IFRS 16) as well as the figurative debt of € 7.2m related to the Put&Call option on the 30% of Welcare's share capital not yet held by Labomar.

The difference compared to our NFP forecast of € 25.7m is mainly ascribable to the **Net Working Capital**, which in 2021 rose more than proportionately to sales growth, reaching € 11.8m (17.7% on sales) from € 6.3m in 2020 (10.2% on sales). In detail:

- **Inventories** increased by € 4.1m, € 2.3m of which stemming from the consolidation of the companies acquired and the remainder as a result of a prudent stock of raw materials in order to prevent shortages.
- **Receivables** grew by € 4.5m, € 2.0m of which stemming from the consolidation of the companies acquired and the remainder due to different timing of invoicing.
- **Payables** rose by € 3.1m, € 1.8m of which stemming from the consolidation of the companies acquired and the remainder as effect of the higher stock inventory.

Table 2 – Labomar, FY 2021-20 Net Working Capital

€ m	2021	2020	% YoY	2021e	% Diff.
Inventories	13.7	9.5	*43.2*	10.4	*32.0*
Receivable	13.9	9.4	*47.4*	10.2	*36.7*
Payable	(15.8)	(12.7)	*(24.5)*	(13.6)	*16.5*
Net Working Capital	**11.8**	**6.3**	***87.0***	**7.0**	***68.9***
% on sales	*17.7%*	*10.2%*		*10.5%*	

Source: Company data, CFO SIM estimates

Estimates, Valuation & Risks

In 2021, Labomar unveiled growing revenues driven by the consolidation of the companies acquired during the year as well as by double-digit organic growth in H2, offsetting a weak H1. In fact, H1-21 was strongly affected by great difficulties in raw materials procurement and significantly lower demand in the Probiotics and Cough & Cold segments.

At the beginning of 2022, the economic environment remains tough, as difficulties in the procurement of some raw materials persist, both in terms of lengthening delivery times and increasing costs. Moreover, the Covid-19 pandemic is still causing some operational problems, such as the absence of employees due to testing positive or the reduction in medical representatives' visits to prescribers and pharmacists.

Labomar plans to face the current harsh environment by 1) **reinforcing the group's procurement organisation** and looking for new **alternative suppliers**, 2) incentivising workers in order to lower the absenteeism rate and making use of temporary workers and 3) avoiding doing business with Russian and Ukrainian customers and suppliers. **The group stated it is confident about reaching double-digit growth in 2022.**

Following the FY-21 results release, we have updated our model, leaving almost unchanged top line growth and fine-tuning the cost by incorporating a certain price inflation with regard to raw materials and energy costs. The combined result is an average **2.6% and 12.7% decrease in adjusted EBITDA and Net Profit in 2022-23.** Moreover, we have introduced projections for 2024.

Table 3 – Labomar, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**83.3**	**83.3**	***0.0***	**0.0**
EBITDA adj.	**14.9**	**15.3**	***(2.7)***	**(0.4)**
% margin	*17.9*	*18.4*		
EBIT adj.	**8.0**	**9.4**	***(14.1)***	**(1.3)**
% margin	*9.6*	*11.2*		
Net Profit adj.	**6.0**	**6.9**	***(13.7)***	**(0.9)**
% margin	*7.2*	*8.3*		
Y/E net debt/(cash)	**24.2**	**22.0**	**9.6**	**2.1**

Source: CFO Sim

Table 4 – Labomar, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	**90.7**	**90.6**	***0.1***	**0.1**
EBITDA adj.	**17.0**	**17.5**	***(2.6)***	**(0.4)**
% margin	*18.8*	*19.3*		
EBIT adj.	**9.2**	**10.5**	***(12.2)***	**(1.3)**
% margin	*10.1*	*11.6*		
Net Profit adj.	**6.9**	**7.8**	***(11.7)***	**(0.9)**
% margin	*7.6*	*8.6*		
Y/E net debt/(cash)	**19.8**	**18.7**	***5.4***	**1.0**

Source: CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date and postponed the first valuation year to 2022. The combined result is an unchanged DCF-based PT for Labomar at **€ 11.00/s**, broadly in line with current price levels. **Neutral reiterated**. The stock is properly priced on fundamentals.

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

DCF

In our DCF-based valuation, we assess explicit estimates until 2026 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.)	1.05%
Beta levered (x)	1.00
Required ROE	**10.0%**

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 0.99x. The WACC is computed by using a sustainable 40:60% debt/equity balance-sheet structure.

Table 5 – Labomar, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	8.0	9.2	11.7	14.9	18.9	
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	
Operating profit (NOPAT)	**6.2**	**7.1**	**9.0**	**11.4**	**14.5**	
Change working capital	(2.6)	(1.0)	(0.8)	(0.4)	(0.1)	
Depreciation	6.9	7.9	8.3	6.6	5.0	
Investments	(6.5)	(8.5)	(8.5)	(5.0)	(5.0)	
Free Cash Flows	**4.0**	**5.4**	**8.0**	**12.6**	**14.5**	**266.2**
Present value	3.8	4.9	6.7	10.0	10.7	**197.7**
WACC	6.5%	6.5%	6.5%	6.5%	6.5%	
Long-term growth rate	**1.0%**					

Source: CFO SIM

Table 6 – Labomar, DCF derived from:

€ m	
Total EV present value € m	233.8
of which terminal value	*84.5%*
Latest reported NFP	(28.2)
Pension provision	(3.0)
Equity value € m	**202.6**
#m shares	18.48
Equity value €/s	**11.00**
% upside/(downside)	*12.9%*

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 202.6m**, which corresponds to **€ 11.00/s,** broadly in line with current price levels.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 9.61-12.75/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 **€ 9.93-12.18/s (free risk range between 1.80% and 0.30%)** and 3), compared to changes in the risk premium, including the small size premium, it results in an equity value of **€ 9.04-13.64/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	36.2	36.2	36.2	36.2	36.2	36.2	36.2
PV of terminal value	172.6	180.3	188.6	197.7	207.6	218.5	230.6
Total value	**208.8**	**216.4**	**224.7**	**233.8**	**243.8**	**254.7**	**266.8**
Latest reported NFP	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**177.6**	**185.2**	**193.5**	**202.6**	**212.6**	**223.5**	**235.6**
Equity value/share €	**9.61**	**10.02**	**10.47**	11.00	**11.50**	**12.09**	**12.75**

Source: CFO SIM

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

€ m	0.30%	0.55%	0.80%	1.05%	1.30%	1.55%	1.80%
Present value of CF	36.7	36.5	36.3	36.2	36.0	35.8	35.7
PV of terminal value	219.7	211.9	204.6	197.7	191.1	184.9	179.1
Total value	**256.3**	**248.4**	**240.9**	**233.8**	**227.1**	**220.8**	**214.7**
Latest reported NFP	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**225.1**	**217.2**	**209.7**	**202.6**	**195.9**	**189.6**	**183.5**
Equity value/share €	**12.18**	**11.75**	**11.34**	11.00	**10.60**	**10.26**	**9.93**

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	37.2	36.8	36.5	36.2	35.8	35.5	35.2
PV of terminal value	246.1	227.9	211.9	197.7	184.9	173.5	163.2
Total value	**283.3**	**264.8**	**248.4**	**233.8**	**220.8**	**209.0**	**198.4**
Latest reported NFP	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)	(28.2)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**252.1**	**233.6**	**217.2**	**202.6**	**189.6**	**177.8**	**167.2**
Equity value/share €	**13.64**	**12.64**	**11.75**	11.00	**10.26**	**9.62**	**9.04**

Source: CFO SIM

Market Multiples

Labomar has a pure B2B business model: the company is a leading one-stop-shop CDMO, providing its customers 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 companies operating with a B2B business model.

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

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, contract development and manufacturing organisation 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 an 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.

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.

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.

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 company's products include software-controlled high-power and high-precision laser cutting and welding systems. Prima's products are categorised as 2-D and 3-D laser cutting machinery.

Based on CFO SIM's estimates, **Labomar's sales and Net Profit CAGR have proven to be slightly higher than the CDMO median.**

Table 10 – Labomar, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales $CAGR_{21\text{-}24}$	EBITDA $CAGR_{21\text{-}24}$	EBIT $CAGR_{21\text{-}24}$	EPS $CAGR_{22\text{-}24}$	NFP/ EBITDA FY1
Catalent Inc	US	18,478	4,377	1,133	25.9%	16.1%	21.0%	25.3%	19.4%	2.3
Clover Corporation Ltd	AUS	153	43	7	16.3%	20.6%	28.3%	29.7%	43.3%	n.m.
Fine Foods & Pharmaceuticals NTM SpA	IT	203	222	27	12.2%	10.1%	21.4%	55.7%	22.5%	0.4
Jubilant Pharmova Ltd	IND	902	723	136	18.7%	2.7%	-7.1%	-6.8%	17.5%	n.a.
Lonza Group AG	CH	50,293	5,909	1,875	31.7%	13.0%	16.8%	20.3%	17.8%	0.5
Probi AB	SWE	411	71	21	29.2%	7.7%	11.4%	17.6%	13.0%	n.m.
Siegfried Holding AG	CH	3,486	1,173	242	20.6%	7.9%	11.6%	13.9%	10.6%	2.0
Median CDMO		**902**	**723**	**136**	**20.6%**	**10.1%**	**16.8%**	**20.3%**	**17.8%**	**1.3**
Biesse SpA	IT	432	802	82	10.2%	6.2%	n.a.	n.a.	49.3%	n.m.
Brembo SpA	IT	3,306	2,997	532	17.8%	6.1%	6.9%	10.7%	9.4%	0.7
Eurotech SpA	IT	131	100	18	18.3%	n.a.	n.a.	n.a.	n.a.	n.m.
Interpump Group SpA	IT	4,583	1,914	442	23.1%	9.5%	9.0%	9.7%	6.5%	0.9
Lu-Ve SpA	IT	456	537	63	11.6%	7.5%	8.5%	12.2%	20.0%	1.9
Prima Industrie SpA	IT	180	458	48	10.4%	n.a.	n.a.	n.a.	n.a.	1.5
Median Domestic B2B		**444**	**669**	**72**	**14.7%**	**6.9%**	**8.5%**	**10.7%**	**14.7%**	**1.2**
Labomar SpA	**IT**	**181**	**83**	**15**	**17.9%**	**13.6%**	**25.5%**	**69.7%**	**21.3%**	**1.6**

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	4.83	4.39	3.90	18.7	16.4	14.4
Clover Corporation Ltd	3.54	2.83	2.28	21.8	15.7	11.2
Fine Foods & Pharmaceuticals NTM SpA	0.97	0.83	0.76	8.0	6.1	5.6
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lonza Group AG	8.68	7.68	6.82	27.4	23.4	20.2
Probi AB	5.29	4.82	4.37	18.1	16.0	14.3
Siegfried Holding AG	3.38	3.20	2.96	16.4	15.3	13.7
Median CDMO	**4.18**	**3.79**	**3.43**	**18.4**	**15.9**	**14.0**
Biesse SpA	0.43	0.43	0.39	4.3	4.0	3.3
Brembo SpA	1.22	1.12	1.05	6.9	6.2	5.9
Eurotech SpA	1.15	0.75	n.a.	6.3	3.0	n.a.
Interpump Group SpA	2.60	2.43	2.19	11.2	10.4	9.5
Lu-Ve SpA	1.07	0.92	0.86	9.2	7.4	6.8
Prima Industrie SpA	0.55	0.47	n.a.	5.3	3.8	n.a.
Median Domestic B2B	**1.11**	**0.84**	**0.96**	**6.6**	**5.1**	**6.3**
Labomar SpA	**2.46**	**2.22**	**1.99**	**13.8**	**11.8**	**9.7**
% premium/(discount) to CDMO	*(41.1)*	*(41.6)*	*(41.8)*	*(25.2)*	*(25.7)*	*(30.4)*
% premium/(discount) to Domestic B2B	*122.5*	*165.2*	*108.7*	*109.3*	*130.1*	*54.4*

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	25.0	21.2	18.6	31.6	26.5	22.1
Clover Corporation Ltd	23.5	16.6	11.7	34.5	23.8	16.8
Fine Foods & Pharmaceuticals NTM SpA	17.2	11.1	10.3	20.3	14.0	13.5
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	17.6	13.5	12.7
Lonza Group AG	38.0	31.9	27.0	44.6	37.8	32.1
Probi AB	27.7	23.7	20.3	38.4	33.9	30.1
Siegfried Holding AG	25.8	23.7	21.0	29.4	26.5	24.1
Median CDMO	**25.4**	**22.5**	**19.4**	**31.6**	**26.5**	**22.1**
Biesse SpA	8.7	7.1	4.3	17.8	13.6	8.0
Brembo SpA	11.7	10.3	9.4	14.3	12.9	11.9
Eurotech SpA	8.3	3.5	n.a.	8.6	4.7	n.a.
Interpump Group SpA	14.4	13.1	11.8	18.6	17.5	16.4
Lu-Ve SpA	16.9	13.8	12.1	19.0	15.1	13.2
Prima Industrie SpA	9.5	5.7	n.a.	11.1	6.7	n.a.
Median Domestic B2B	**10.6**	**8.7**	**10.6**	**16.1**	**13.3**	**12.6**
Labomar SpA	**25.6**	**21.9**	**16.6**	**30.3**	**26.4**	**20.6**
% premium/(discount) to CDMO	*0.4*	*(2.6)*	*(14.4)*	*(4.0)*	*(0.4)*	*(7.0)*
% premium/(discount) to Domestic B2B	*140.8*	*152.4*	*56.7*	*88.5*	*98.3*	*63.6*

Sources: CFO SIM, Thomson Reuters Eikon

As showed in the tables above, with regard to the CDMO peer group, Labomar is trading at about 25% discount to the median EV/EBITDA and broadly in line to the median PER. As a consequence, **we believe that LBM is currently fairly priced on fundamentals.**

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 € 8.02/s on 24-Feb-22.

Table 16 – Labomar, peer group and index absolute performances

	1D	1W	1M	3M	6M	YTD	1Y
Catalent Inc	(0.8)	1.5	19.4	(6.0)	(13.6)	(12.2)	6.4
Clover Corporation Ltd	(0.4)	(1.5)	(4.3)	(23.0)	(8.7)	(23.0)	(28.8)
Fine Foods & Pharmaceuticals NTM SpA	2.8	(31.7)	(21.8)	(41.0)	(47.0)	(40.6)	(23.1)
Jubilant Pharmova Ltd	6.9	16.5	17.4	(20.2)	(27.2)	(20.6)	(34.6)
Lonza Group AG	0.7	1.5	17.3	(5.4)	(2.3)	(10.5)	27.2
Probi AB	0.7	0.4	(1.3)	(7.0)	13.7	(6.9)	(17.2)
Siegfried Holding AG	1.9	3.8	15.6	(6.8)	(2.4)	(9.6)	2.7
Median CDMO	**0.7**	**1.5**	**15.6**	**(7.0)**	**(8.7)**	**(12.2)**	**(17.2)**
Biesse SpA	(4.1)	(8.6)	(5.1)	(36.8)	(39.1)	(35.8)	(34.5)
Brembo SpA	(2.3)	(5.5)	8.3	(24.1)	(7.7)	(21.5)	(9.1)
Eurotech SpA	(0.6)	(9.2)	(5.4)	(30.2)	(25.1)	(27.5)	(32.4)
Interpump Group SpA	(5.2)	(13.8)	3.8	(34.4)	(24.5)	(35.1)	(3.8)
Lu-Ve SpA	2.5	6.5	28.3	(10.9)	4.3	(15.0)	36.0
Prima Industrie SpA	(0.8)	0.5	33.0	(11.5)	(5.9)	(7.3)	(23.2)
Median Domestic B2B	**(1.5)**	**(7.1)**	**6.0**	**(27.1)**	**(16.1)**	**(24.5)**	**(16.1)**
Labomar SpA	**-**	**(5.9)**	**6.1**	**(0.4)**	**(11.5)**	**(2.6)**	**4.5**
MSCI World Index	(1.0)	(2.0)	9.0	(6.1)	1.1	(5.6)	6.1
EUROSTOXX	(0.7)	(1.8)	12.4	(10.1)	(4.0)	(8.8)	0.3
FTSE Italia All Share	(0.8)	(1.4)	11.7	(10.9)	(4.3)	(9.0)	1.2
FTSE Italia STAR	(0.5)	(2.3)	11.4	(14.7)	(8.1)	(15.4)	10.1
FTSE Italia Growth	0.7	(0.2)	10.2	(8.3)	(3.2)	(8.0)	22.4

Source: Thomson Reuters Eikon

Table 17 – Labomar, relative performances

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	1.0	(3.9)	(2.9)	5.7	(12.6)	3.0	(1.6)
to EUROSTOXX	0.7	(4.1)	(6.3)	9.7	(7.4)	6.2	4.2
to FTSE Italia All Share	0.8	(4.5)	(5.6)	10.5	(7.1)	6.4	3.3
to FTSE Italia STAR	0.5	(3.6)	(5.3)	14.3	(3.3)	12.8	(5.6)
to FTSE Italia Growth	(0.7)	(5.7)	(4.1)	7.9	(8.2)	5.4	(17.9)
to CDMO Peer Median	(0.7)	(7.4)	(9.5)	6.6	(2.8)	9.6	21.7
to Domestic B2B Median	1.5	1.2	0.1	26.7	4.7	21.9	20.7

Source: Thomson Reuters Eikon

Risks

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

- limited M&A track record;
- increasing regulation or changes in the regulatory framework;
- inability to manage investments 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).

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DATE	TARGET PRICE	RATING
06/04/2022	€11.00	NEUTRAL
11/03/2022	€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

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- 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.

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