

## Italy – Nutraceutical

## Good H1 results, expected double-digit organic growth in 2022

3<sup>rd</sup> October 2022

### H1-22 RESULTS RELEASE

RIC: LBM.MI  
BBG: LBM IM

Labomar unveiled double-digit organic growth coupled with a more than proportional progression in margins, mainly thanks to the recovery of probiotics and Cough & Cold segments and tight cost-controls. Thanks to the good set of results reported in H1, the group reiterated that it is confident about reaching double-digit organic growth in 2022.

#### Rating:

**Buy (Neutral)**

#### Price Target:

**€ 9.50 (€ 11.00)**

Upside/(Downside): 20.9%

Last Price: € 7.86

Market Cap.: € 145.5m

1Y High/Low: € 13.00 / € 7.32

Avg. Daily Turn. (3M, 6M): € 32k, € 29k

Free Float: 22.0%

#### Major shareholders:

LBM Holding Srl 67.3%



#### Stock price performance

	1M	3M	12M
Absolute	-7.5%	-1.8%	-32.5%
Rel.to FTSE IT Growth	-2.2%	1.9%	-14.1%
Rel.to CDMO peers	-2.5%	2.1%	-1.3%

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#### New PT of € 9.50/s (€ 11.00), 20.9% upside. Rating upgraded to Buy (Neutral)

In H1-22, Labomar proved to be extremely able to cope with a tough economic environment, which caused several difficulties in the procurement of raw materials. Following 2022 interim results, we have fine-tuned our model by factoring in 1) a slight increase in top line growth, thanks to the outstanding performance of Welcare, 2) an unchanged profitability on the back of the persisting harsh macroeconomic environment and 3) a certain increase in NWC on the back of the strategic decision to overstock raw materials. The combined result is an average 1.8% increase in revenues and 6.8% rise in net debt, in 2022-24. Moreover, CFO has updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date (2.46%, previously 1.05%). The combined result is a new PT of € 9.50/s (€ 11.00), 20.9% upside. The downgrade is entirely due to the severe rise in the free-risk in recent weeks. Nevertheless, since LBM's stock price plummeted by almost 20% in the last 6M, the greater upside to current prices leads us to upgrade our recommendation to Buy (Neutral).

#### Organic growth of 12% thanks to the recovery of probiotics and cough & cold

Revenues amounted to € 41.8m, up 36.9% YoY, including € 7.7m stemming from Welcare and Labiotre, acquired in H2-21. On a like-for-like basis, the group reported revenues up by 11.8% YoY. Organic growth was mainly driven by Labomar as a stand-alone thanks to the recovery of sales related to cough & cold and probiotic segments, strongly impacted by the pandemic in H1-21, coupled with increasing revenues stemming from the main key international customers and the launch of new products. Furthermore, Welcare grew by 30.5% YoY thanks to the penetration of new geographical markets by leveraging on the group's sales network, as well as the launch of new products dedicated to cancer patients.

#### EBITDA grew more than proportionately to top line: € 8.1m, 19.3% margin

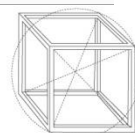
EBITDA was € 8.1m, 19.3% margin, compared to € 4.5m, 14.2% margin, in H1-21, also thanks to taking advantage of synergies with the companies acquired. The increase in margin is even more significant if we consider the current inflationary trend with regard to the cost of raw materials and energy prices as well as the increase in personnel costs due to the reinforcement of top management. After D&A of € 3.4m (€ 2.1m in H1-21), financial charges of € 0.3m (€ 1.2m of gain in H1-21) and income taxes of € 1.3m (€ 0.7m in H1-21), net profit came in at € 3.1m, 7.5% margin, compared to € 2.9m, 9.5% margin.

#### Net debt rose to € 33.0m, mainly due to a temporary increase in NWC

Net debt rose to € 33.0m from € 28.2m at end-21, mainly as a consequence of the increase in NWC driven by the increase in turnover as well as the procurement activity, which was characterised by the strategic decision to bring forward the purchase of raw materials in order to avoid shortages and price increases.

#### Labomar, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Value of Production	61.5	66.5	84.8	92.3	99.4
EBITDA	11.3	10.1	14.9	17.1	20.0
EBITDA Adjusted	12.3	10.1	14.9	17.1	20.0
EBIT	7.3	2.4	8.0	9.2	11.7
Net Profit	6.1	8.4	5.8	6.7	8.6
NFP (cash)/debt	3.4	28.2	25.6	21.2	15.1
EBITDA adj. margin	20.0%	15.2%	17.6%	18.5%	20.1%
EPS	0.33	0.45	0.31	0.36	0.46
EPS growth	-	37.2%	-31.2%	16.2%	28.2%
Dividend	0.11	0.10	0.10	0.11	0.14
Dividend Yield	1.4%	1.3%	1.3%	1.4%	1.8%
ROCE	9.4%	2.7%	8.5%	9.3%	10.8%
NWC/Sales	10.2%	17.7%	18.5%	17.9%	17.6%
Free Cash Flow Yield	1.8%	-7.3%	3.0%	4.3%	5.6%
PER x	20.5	24.2	25.3	21.8	17.0
EV/Sales x	2.09	3.47	2.02	1.81	1.62
EV/EBITDA x	10.5	22.8	11.5	9.8	8.0
EV/EBIT x	15.6	96.5	21.3	18.1	13.8

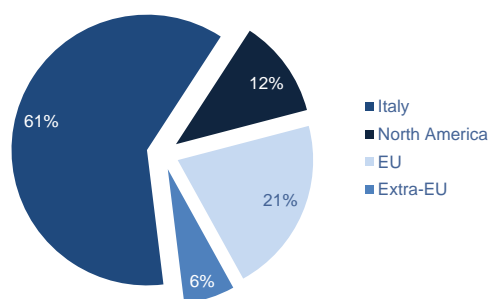


## The Company at a Glance

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 an 11.5% organic sales CAGR<sub>14-21</sub> mainly as a result of continuous product innovation and the consequent increased share of wallet with pharma corporations. Including M&A, top line showed a 16.7% CAGR<sub>14-21PF</sub> in the same period, resulting in a wider product portfolio and access to new countries.

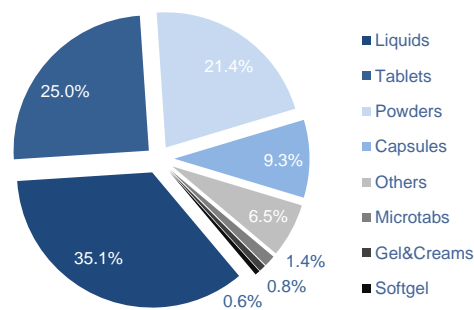
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1%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

### 2021 Revenues breakdown by geography\*



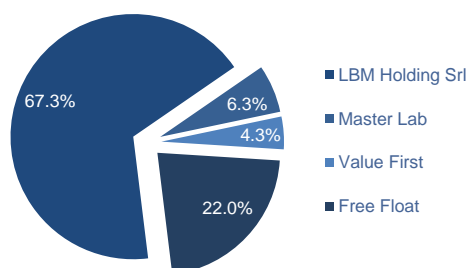
\*consolidated figures

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



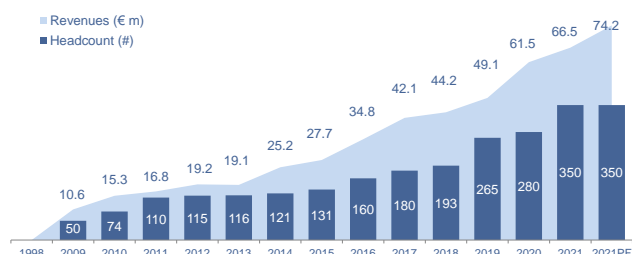
\*\*Labomar stand-alone

### Shareholder structure



Source: Company data

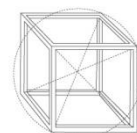
### Top line and headcount evolution



### Peer group multiples table

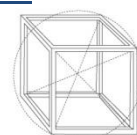
EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	3.26	2.92	12.2	10.7	16.7	14.2	19.8	16.6
Clover Corporation Ltd	2.51	2.15	15.6	12.3	16.7	13.0	24.0	19.2
Fine Foods & Pharmaceuticals NTM SpA	0.92	0.91	11.5	8.2	71.9	19.5	n.m.	20.5
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.4	11.9
Lonza Group AG	6.07	5.35	19.3	16.5	27.2	22.8	32.2	27.2
Probi AB	3.49	3.09	12.8	11.4	22.9	19.8	33.6	30.2
Siegfried Holding AG	3.01	2.83	13.8	13.6	20.5	19.3	24.3	22.3
<b>Median CDMO</b>	<b>3.13</b>	<b>2.88</b>	<b>13.3</b>	<b>11.9</b>	<b>21.7</b>	<b>19.4</b>	<b>24.2</b>	<b>20.5</b>
Biesse SpA	0.27	0.27	2.6	2.5	4.8	4.4	11.4	10.1
Brembo SpA	0.97	0.89	5.6	5.1	9.2	8.2	10.4	9.7
Eurotech SpA	1.05	0.69	13.7	3.4	44.2	4.3	29.2	5.0
Interpump Group SpA	2.09	1.97	9.1	8.5	11.5	11.3	13.9	13.6
Lu-ve SpA	0.88	0.84	6.9	6.5	11.9	11.5	13.6	13.6
Prima Industrie SpA	0.70	0.60	6.9	4.9	12.6	7.5	17.6	10.3
<b>Median Domestic B2B</b>	<b>0.93</b>	<b>0.76</b>	<b>6.9</b>	<b>5.0</b>	<b>11.7</b>	<b>7.8</b>	<b>13.7</b>	<b>10.2</b>
<b>Labomar SpA</b>	<b>2.02</b>	<b>1.81</b>	<b>11.5</b>	<b>9.8</b>	<b>21.3</b>	<b>18.1</b>	<b>25.3</b>	<b>21.8</b>

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	61.1	65.4	84.1	91.5	98.5
Value of Production	61.5	66.5	84.8	92.3	99.4
Raw material and processing	(26.6)	(29.9)	(35.2)	(37.4)	(40.3)
Services	(10.0)	(11.9)	(15.7)	(16.6)	(17.3)
Personnel expenses	(13.5)	(14.3)	(18.2)	(20.5)	(21.1)
Other opex	(0.2)	(0.3)	(0.8)	(0.8)	(0.8)
EBITDA	11.3	10.1	14.9	17.1	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	(0.5)	(0.5)	(0.5)
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	7.5	8.7	11.1
Income taxes	(0.8)	(0.7)	(1.7)	(2.0)	(2.6)
Minorities	0.0	0.1	0.0	0.0	0.0
Net Profit	6.1	8.4	5.8	6.7	8.6
EBITDA Adjusted	12.3	10.1	14.9	17.1	20.0
EBIT Adjusted	8.2	2.4	8.0	9.2	11.7
Net Profit Adjusted	6.1	8.4	5.8	6.7	8.6
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	6.3	11.8	15.7	16.6	17.4
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)	(10.3)	(11.3)	(12.0)
Net Invested Capital	41.7	73.9	75.2	75.7	76.1
Net Financial Debt	3.4	28.2	25.6	21.2	15.1
Minorities	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Group's Shareholders Equity	38.2	45.7	49.6	54.5	61.0
Financial Liabilities & Equity	41.7	73.9	75.2	75.7	76.1
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	6.1	8.4	5.8	6.7	8.6
Depreciation	4.0	7.7	6.9	7.9	8.3
Other non-cash charges	(2.4)	(2.0)	2.2	1.1	0.7
Cash Flow from Oper. (CFO)	7.8	14.1	14.9	15.6	17.5
Change in NWC	0.6	(5.5)	(3.9)	(0.9)	(0.9)
FCF from Operations (FCFO)	8.4	8.6	10.9	14.7	16.6
Net Investments (CFI)	(5.7)	(19.2)	(6.5)	(8.5)	(8.5)
Free CF to the Firm (FCFF)	2.6	(10.6)	4.4	6.2	8.1
CF from financials (CFF)	20.2	(9.8)	(0.8)	(2.9)	(1.0)
Free Cash Flow to Equity (FCFE)	22.8	(20.4)	3.6	3.4	7.2
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	20.0%	15.2%	17.6%	18.5%	20.1%
EBIT adj. margin	13.4%	3.6%	9.5%	10.0%	11.8%
Net profit adj. margin	9.9%	12.6%	6.8%	7.2%	8.6%
Tax rate	11.6%	8.1%	23.0%	23.0%	23.0%
Op NWC/Sales	10.2%	17.7%	18.5%	17.9%	17.6%
Interest coverage x	30.28	(10.71)	14.74	17.43	21.47
Net Debt/EBITDA x	0.30	2.79	1.72	1.24	0.76
Debt-to-Equity x	0.09	0.62	0.52	0.39	0.25
ROIC	14.6%	11.3%	7.6%	8.8%	11.3%
ROCE	9.4%	2.7%	8.5%	9.3%	10.8%
ROACE	11.7%	2.9%	8.8%	9.5%	11.3%
ROE	15.9%	18.3%	11.6%	12.3%	14.1%
Payout ratio	33.4%	22.1%	32.1%	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	0.31	0.36	0.46
EPS adjusted FD €	0.33	0.45	0.31	0.36	0.46
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	2.68	2.94	3.30
FCFO €	0.45	0.46	0.59	0.80	0.90
FCFF €	0.14	(0.57)	0.24	0.34	0.44
FCFE €	1.24	(1.10)	0.20	0.18	0.39
Dividend €	0.11	0.10	0.10	0.11	0.14



## H1-22 Results

Labomar reported growing revenues thanks to a double-digit organic growth coupled with the full consolidation of the companies acquired H2-21 (Welcare and Labiotre). Organic growth was mainly driven by the recovery of probiotics and Cough & Cold segments. EBITDA grew more than proportionately to top line, also thanks to taking advantage of synergies with the acquired companies, even despite the rampant inflation and the strengthening of the group's operating structure.

**Table 1 – Labomar, H1-22 results summary**

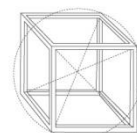
€ m	H1-22	H1-21	% YoY
<b>Revenues</b>	<b>41.8</b>	<b>30.5</b>	<b>36.9</b>
Increase in inventories	0.0	0.0	
Other revenues	0.2	0.7	
<b>Value of Production</b>	<b>42.0</b>	<b>31.3</b>	<b>34.5</b>
Raw material and processing	(17.0)	(14.5)	
Services	(7.7)	(5.1)	
Personnel expenses	(9.0)	(7.1)	
Other opex	(0.3)	(0.1)	
<b>EBITDA</b>	<b>8.1</b>	<b>4.5</b>	<b>81.3</b>
% margin	19.3	14.6	
D&A	(3.4)	(2.1)	
<b>EBIT</b>	<b>4.7</b>	<b>2.4</b>	<b>n.m.</b>
% margin	11.3	7.7	
Financials	(0.3)	1.2	
<b>Pre-Tax profit</b>	<b>4.4</b>	<b>3.6</b>	<b>23.0</b>
% margin	10.6	11.8	
Income taxes	(1.3)	(0.7)	
Tax rate	30.4%	20.3%	
Minorities	0.1	0.0	
<b>Net Profit</b>	<b>3.1</b>	<b>2.9</b>	<b>9.0</b>
% margin	7.5	9.5	
<b>EBITDA adj.</b>	<b>8.1</b>	<b>4.0</b>	<b>n.m.</b>
% margin	19.3	12.9	
<b>Net Financial Position *</b>	<b>33.0</b>	<b>28.2</b>	<b>17.2</b>

Source: Company data \* compared to FY-21

**Revenues amounted to € 41.8m, up 36.9% YoY**, including € 7.7m stemming from Welcare and Labiotre, acquired in H2-21, thus not included in H1-21 results. **On a like-for-like basis, the group reported revenues up by 11.8% YoY**, totalling € 34.1m. Organic growth was mainly driven by Labomar as a stand-alone thanks to the recovery of sales related to cough & cold and probiotic segments, strongly impacted by the pandemic in H1-21, coupled with increasing revenues stemming from the main key international customers and the launch of new products in the last 12 months. Furthermore, **Welcare grew by 30.5% YoY** thanks to the penetration of new geographical markets by leveraging on the group's sales network, as well as the launch of new products dedicated to cancer patients.

**EBITDA was € 8.1m, 19.3% margin**, compared to € 4.5m, 14.2% margin, in H1-21, also thanks to taking advantage of synergies with the companies acquired, mainly Welcare and Labiotre. The increase in margin is even more significant if we consider the current inflationary trend with regard to the cost of raw materials and energy prices as well as the increase in personnel costs as a consequence of the reinforcement of the top management in order to support the group's development.

It is worth noting that EBITDA reported in H1-21 included € 0.5m of tax credit stemming from the IPO process. Thus, in H1-21 adjusted EBITDA for non-recurring items was € 4.0m, 12.9% margin.



After D&A of € 3.4m (€ 2.1m in H1-21), financial charges of € 0.3m (vs € 1.2m of gain in H1-21) and income taxes of € 1.3m, 30% tax rate (vs € 0.7m, 20% tax rate in H1-21), **Net profit came in at € 3.1m, 7.5% margin**, compared to € 2.9m, 9.5% margin.

**Net debt rose to € 33.0m from € 28.2m at the end of 2021**, mainly as a consequence of the **increase in NWC** driven by the increase in turnover as well as the procurement activity, which was characterised by the strategic decision to bring forward the purchase of raw materials in order to avoid shortage issues and price increases. Furthermore, in H1-22 Labomar paid dividends of € 1.8m.

## Estimates, Valuation & Risks

In H1-22, Labomar unveiled double-digit organic growth coupled with a more than proportional progression in margins. **The group proved to be extremely able to cope with a tough economic environment**, which caused several difficulties in the procurement of some raw materials, both in terms of lengthening delivery times and increasing costs.

Thanks to the good set of results reported in H1, the group reiterated that it is confident about reaching the guidance provided to the market, i.e. **double-digit organic growth in 2022**.

Following the H1-22 results release, **we have fine-tuned our model** by factoring in 1) a slight **increase in top line growth**, as a consequence of the outstanding performance of Welcare, 2) an **unchanged profitability** on the back of the persisting harsh macroeconomic environment and 3) a certain **increase in NWC** on the back of the strategic decision to overstock raw materials in order to avoid production interruptions and further price increases. The combined result is an average **1.8% increase in revenues and an average 6.8% rise in net debt, in 2022-24**.

**Table 2 – Labomar, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	84.8	83.3	1.8	1.5
EBITDA adj.	14.9	14.9	(0.2)	(0.0)
% margin	17.6	17.9		
EBIT adj.	8.0	8.0	(0.4)	(0.0)
% margin	9.5	9.7		
Net Profit adj.	5.8	6.0	(3.9)	(0.2)
% margin	6.8	7.2		
Y/E net debt/(cash)	25.6	24.2	6.0	1.5

Source: CFO Sim

**Table 3 – Labomar, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	92.3	90.7	1.8	1.6
EBITDA adj.	17.1	17.1	0.1	0.0
% margin	18.5	18.8		
EBIT adj.	9.2	9.2	0.1	0.0
% margin	10.0	10.1		
Net Profit adj.	6.7	6.9	(2.8)	(0.2)
% margin	7.2	7.6		
Y/E net debt/(cash)	21.2	19.7	7.5	1.5

Source: CFO Sim

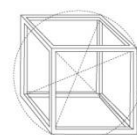




Table 4 – Labomar, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	99.4	97.6	1.8	1.8
EBITDA adj.	20.0	20.0	(0.1)	(0.0)
% margin	20.1	20.5		
EBIT adj.	11.7	11.7	(0.1)	(0.0)
% margin	11.8	12.0		
Net Profit adj.	8.6	8.8	(2.5)	(0.2)
% margin	8.6	9.0		
Y/E net debt/(cash)	15.1	13.4	12.4	1.7

Source: CFO Sim

Moreover, CFO has updated the DCF valuation criteria, bringing up-to-date the Free Risk Rate, whose 200d moving average strongly increased since the last valuation update in April (2.46% vs 1.05%). The combined result is a new PT for Labomar at **€ 9.50/s (€ 11.00)**, 20.9% upside. **The downgrade is entirely due to the severe rise in the Free Risk Rate in recent weeks.** Nevertheless, since LBM's stock price plummeted by almost 20% in the last six months, the greater upside to current price levels leads us to **upgrade our recommendation to Buy (Neutral).**

## 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 5 – WACC derived from:

Interest costs, pre-tax	1.5%
Tax rate	23.0%
<b>Int. costs, after taxes</b>	<b>1.2%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	2.46%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>11.5%</b>

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

Table 6 – Labomar, DCF model

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	8.0	9.2	11.7	14.9	19.0	
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	
<b>Operating profit (NOPAT)</b>	<b>6.2</b>	<b>7.1</b>	<b>9.0</b>	<b>11.5</b>	<b>14.6</b>	
Change working capital	(3.9)	(0.9)	(0.9)	(0.5)	(0.1)	
Depreciation	6.9	7.9	8.3	6.6	5.0	
Investments	(6.5)	(8.5)	(8.5)	(5.0)	(5.0)	
<b>Free Cash Flows</b>	<b>2.6</b>	<b>5.6</b>	<b>7.9</b>	<b>12.6</b>	<b>14.6</b>	<b>232.2</b>
Present value	2.6	5.1	6.7	10.0	10.8	<b>171.9</b>
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO SIM

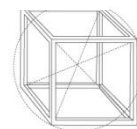






Table 7 – Labomar, DCF derived from:

€ m	
Total EV present value € m	207.2
of which terminal value	83.0%
Latest reported NFP	(28.2)
Pension provision	(3.0)
<b>Equity value € m</b>	<b>176.0</b>
#m shares	18.48
<b>Equity value €/s</b>	<b>9.50</b>
% upside/(downside)	20.9%

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 176.0m**, which corresponds to **€ 9.50/s**, 20.9% upside to current price levels.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of **€ 8.48-10.85/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 **€ 8.73-10.44/s (free risk range between 3.21% and 1.71%)** and 3), compared to changes in the risk premium, including the small size premium, it results in an equity value of **€ 8.04-11.50/s (risk premium range between 10.5% and 7.50%)**.

Table 8 – 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	35.3	35.3	35.3	35.3	35.3	35.3	35.3
PV of terminal value	152.6	158.6	165.0	171.9	179.4	187.6	196.4
<b>Total value</b>	<b>187.9</b>	<b>193.9</b>	<b>200.3</b>	<b>207.2</b>	<b>214.7</b>	<b>222.9</b>	<b>231.7</b>
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)
<b>Equity value</b>	<b>156.7</b>	<b>162.7</b>	<b>169.1</b>	<b>176.0</b>	<b>183.5</b>	<b>191.7</b>	<b>200.5</b>
<b>Equity value/share €</b>	<b>8.48</b>	<b>8.80</b>	<b>9.15</b>	<b>9.50</b>	<b>9.93</b>	<b>10.37</b>	<b>10.85</b>

Source: CFO SIM

Table 9 – Labomar, equity value sensitivity to changes in free risk rate

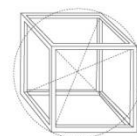
€ m	1.71%	1.96%	2.21%	2.46%	2.71%	2.96%	3.21%
Present value of CF	35.7	35.6	35.4	35.3	35.1	35.0	34.9
PV of terminal value	188.4	182.6	177.1	171.9	167.0	162.2	157.7
<b>Total value</b>	<b>224.1</b>	<b>218.2</b>	<b>212.6</b>	<b>207.2</b>	<b>202.1</b>	<b>197.2</b>	<b>192.6</b>
Latest reported NFP	(28.2)	(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)
<b>Equity value</b>	<b>192.9</b>	<b>187.0</b>	<b>181.4</b>	<b>176.0</b>	<b>170.9</b>	<b>166.0</b>	<b>161.4</b>
<b>Equity value/share €</b>	<b>10.44</b>	<b>10.12</b>	<b>9.81</b>	<b>9.50</b>	<b>9.25</b>	<b>8.98</b>	<b>8.73</b>

Source: CFO SIM

Table 10 – 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	36.1	35.9	35.6	35.3	35.0	34.7	34.5
PV of terminal value	207.7	194.5	182.6	171.9	162.2	153.4	145.3
<b>Total value</b>	<b>243.8</b>	<b>230.3</b>	<b>218.2</b>	<b>207.2</b>	<b>197.2</b>	<b>188.1</b>	<b>179.8</b>
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)
<b>Equity value</b>	<b>212.6</b>	<b>199.1</b>	<b>187.0</b>	<b>176.0</b>	<b>166.0</b>	<b>156.9</b>	<b>148.6</b>
<b>Equity value/share €</b>	<b>11.50</b>	<b>10.77</b>	<b>10.12</b>	<b>9.50</b>	<b>8.98</b>	<b>8.49</b>	<b>8.04</b>

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.

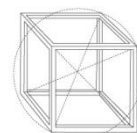
**Probi AB** carries out research and development in probiotics. The company has three main research areas: surgery and medicine, foodstuff technology and microbiology. Probi has developed the fruit drink ProViva, containing an active bioculture intended to counteract harmful bacteria and strengthen 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, assemblies, 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 11 – Labomar, peer group summary table**

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP/EBITDA FY1
Catalent Inc	US	13,284	5,080	1,351	26.6%	10.5%	16.4%	21.9%	19.5%	2.4
Clover Corporation Ltd	AUS	137	53	9	16.1%	12.0%	15.6%	16.1%	23.7%	n.m.
Fine Foods & Pharmaceuticals NTM SpA	IT	175	207	17	8.0%	10.3%	21.3%	40.1%	n.a.	1.0
Jubilant Pharmova Ltd	IND	670	757	118	15.6%	n.a.	n.a.	n.a.	n.a.	n.a.
Lonza Group AG	CH	37,451	6,372	2,007	31.5%	15.3%	18.7%	22.0%	17.8%	0.6
Probi AB	SWE	260	65	18	27.4%	4.8%	4.5%	4.8%	11.1%	n.m.
Siegfried Holding AG	CH	3,408	1,289	280	21.7%	10.8%	13.6%	19.8%	10.3%	1.7
<b>Median CDMO</b>		<b>670</b>	<b>757</b>	<b>118</b>	<b>21.7%</b>	<b>10.7%</b>	<b>16.0%</b>	<b>20.8%</b>	<b>17.8%</b>	<b>1.3</b>
Biesse SpA	IT	313	805	83	10.3%	2.4%	12.5%	26.4%	26.5%	n.m.
Brembo SpA	IT	2,841	3,422	597	17.5%	9.9%	10.6%	15.2%	6.7%	0.8
Eurotech SpA	IT	101	87	7	7.6%	n.a.	n.a.	n.a.	n.a.	n.m.
Interpump Group SpA	IT	3,644	2,017	464	23.0%	10.2%	9.5%	9.5%	3.8%	1.3
Lu-Ve SpA	IT	471	592	76	12.8%	10.5%	12.7%	18.0%	8.0%	0.7
Prima Industrie SpA	IT	258	452	46	10.2%	n.a.	n.a.	n.a.	n.a.	1.3
<b>Median Domestic B2B</b>		<b>392</b>	<b>698</b>	<b>79</b>	<b>11.5%</b>	<b>10.1%</b>	<b>11.5%</b>	<b>16.6%</b>	<b>7.3%</b>	<b>1.0</b>
<b>Labomar SpA</b>	<b>IT</b>	<b>146</b>	<b>85</b>	<b>15</b>	<b>17.6%</b>	<b>14.3%</b>	<b>25.4%</b>	<b>69.7%</b>	<b>22.1%</b>	<b>1.7</b>

Sources: CFO SIM, Thomson Reuters Eikon

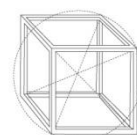




Table 12 – Labomar, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Catalent Inc	3.26	2.92	2.56	12.2	10.7	9.0
Clover Corporation Ltd	2.51	2.15	1.84	15.6	12.3	9.8
Fine Foods & Pharmaceuticals NTM SpA	0.92	0.91	0.60	11.5	8.2	4.7
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lonza Group AG	6.07	5.35	4.87	19.3	16.5	14.5
Probi AB	3.49	3.09	2.78	12.8	11.4	10.1
Siegfried Holding AG	3.01	2.83	2.58	13.8	13.6	12.3
<b>Median CDMO</b>	<b>3.13</b>	<b>2.88</b>	<b>2.57</b>	<b>13.3</b>	<b>11.9</b>	<b>10.0</b>
Biesse SpA	0.27	0.27	0.24	2.6	2.5	2.1
Brembo SpA	0.97	0.89	0.81	5.6	5.1	4.5
Eurotech SpA	1.05	0.69	n.a.	13.7	3.4	n.a.
Interpump Group SpA	2.09	1.97	1.77	9.1	8.5	7.7
Lu-Ve SpA	0.88	0.84	0.76	6.9	6.5	5.8
Prima Industrie SpA	0.70	0.60	n.a.	6.9	4.9	n.a.
<b>Median Domestic B2B</b>	<b>0.93</b>	<b>0.76</b>	<b>0.79</b>	<b>6.9</b>	<b>5.0</b>	<b>5.2</b>
<b>Labomar SpA</b>	<b>2.02</b>	<b>1.81</b>	<b>1.62</b>	<b>11.5</b>	<b>9.8</b>	<b>8.0</b>
% premium/(discount) to CDMO	(35.6)	(37.2)	(37.2)	(13.7)	(17.7)	(19.3)
% premium/(discount) to Domestic B2B	117.7	136.4	105.5	66.7	96.2	55.5

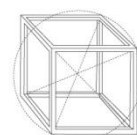
Sources: CFO SIM, Thomson Reuters Eikon

Table 13 – Labomar, peer group EV &amp; price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Catalent Inc	16.7	14.2	11.6	19.8	16.6	13.9
Clover Corporation Ltd	16.7	13.0	10.3	24.0	19.2	15.7
Fine Foods & Pharmaceuticals NTM SpA	71.9	19.5	8.9	n.m.	20.5	13.4
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	18.4	11.9	n.a.
Lonza Group AG	27.2	22.8	19.6	32.2	27.2	23.2
Probi AB	22.9	19.8	16.8	33.6	30.2	27.2
Siegfried Holding AG	20.5	19.3	17.1	24.3	22.3	20.0
<b>Median CDMO</b>	<b>21.7</b>	<b>19.4</b>	<b>14.2</b>	<b>24.2</b>	<b>20.5</b>	<b>17.8</b>
Biesse SpA	4.8	4.4	3.1	11.4	10.1	7.1
Brembo SpA	9.2	8.2	7.2	10.4	9.7	9.1
Eurotech SpA	44.2	4.3	n.a.	29.2	5.0	n.a.
Interpump Group SpA	11.5	11.3	9.7	13.9	13.6	12.9
Lu-Ve SpA	11.9	11.5	10.0	13.6	13.6	11.7
Prima Industrie SpA	12.6	7.5	n.a.	17.6	10.3	n.a.
<b>Median Domestic B2B</b>	<b>11.7</b>	<b>7.8</b>	<b>8.5</b>	<b>13.7</b>	<b>10.2</b>	<b>10.4</b>
<b>Labomar SpA</b>	<b>21.3</b>	<b>18.1</b>	<b>13.8</b>	<b>25.3</b>	<b>21.8</b>	<b>17.0</b>
% premium/(discount) to CDMO	(1.7)	(6.7)	(3.0)	4.7	6.0	(4.9)
% premium/(discount) to Domestic B2B	82.1	131.0	62.4	84.1	113.3	63.2

Sources: CFO SIM, Thomson Reuters Eikon

As showed in the tables above, with regard to the CDMO peer group, Labomar is trading at about 15% discount to the median EV/EBITDA and broadly in line with the median PER.



## Peer Stock Performance

Labomar was listed on Euronext Growth Milan on **5<sup>th</sup> October 2020** at **€ 6.00/share**, corresponding to a post-money market capitalisation of € 110.9m. **Labomar trades well above the IPO price**, +31.0% since the IPO. The stock reached a 1Y intraday maximum price of € 13.00/s on 18-Oct-21 and a minimum price of € 7.32/s on 14-Jul-22.

**Table 14 – Labomar, peer group and index absolute performances**

	1D	1W	1M	3M	6M	YTD	1Y
Catalent Inc	(2.6)	(4.9)	(17.4)	(32.4)	(36.6)	(43.5)	(45.6)
Clover Corporation Ltd	0.4	0.8	20.0	22.3	(6.7)	(26.5)	(19.0)
Fine Foods & Pharmaceuticals NTM SpA	1.3	(2.6)	(3.7)	(5.6)	(21.8)	(48.7)	(53.3)
Jubilant Pharmova Ltd	1.6	0.2	1.1	(0.8)	(18.2)	(42.7)	(46.1)
Lonza Group AG	3.8	9.5	(7.6)	(6.3)	(27.7)	(36.1)	(30.7)
Probi AB	5.5	0.6	0.8	0.6	(33.6)	(37.2)	(32.4)
Siegfried Holding AG	3.8	0.7	(3.9)	17.7	(4.1)	(16.9)	(11.4)
<b>Median CDMO</b>	<b>1.6</b>	<b>0.6</b>	<b>(3.7)</b>	<b>(0.8)</b>	<b>(21.8)</b>	<b>(37.2)</b>	<b>(32.4)</b>
Biesse SpA	1.9	0.2	(9.9)	(7.2)	(30.6)	(53.2)	(57.8)
Brembo SpA	4.4	0.5	(7.5)	(8.3)	(15.1)	(32.2)	(22.1)
Eurotech SpA	1.3	2.1	(2.7)	(0.4)	(24.4)	(44.0)	(43.4)
Interpump Group SpA	3.2	2.6	(5.2)	(8.2)	(25.5)	(48.1)	(40.3)
Lu-Ve SpA	1.2	(0.9)	(4.9)	6.6	5.0	(11.9)	(2.1)
Prima Industrie SpA	0.4	0.2	0.2	80.2	40.8	33.3	34.9
<b>Median Domestic B2B</b>	<b>1.6</b>	<b>0.4</b>	<b>(5.1)</b>	<b>(3.8)</b>	<b>(19.7)</b>	<b>(38.1)</b>	<b>(31.2)</b>
<b>Labomar SpA</b>	<b>-</b>	<b>(3.7)</b>	<b>(7.5)</b>	<b>(1.8)</b>	<b>(19.3)</b>	<b>(21.4)</b>	<b>(32.5)</b>
MSCI World Index	(0.9)	(2.5)	(8.7)	(7.1)	(22.2)	(26.4)	(20.9)
EUROSTOXX	1.4	(1.0)	(7.0)	(4.8)	(16.5)	(23.9)	(19.6)
FTSE Italia All Share	1.6	(1.8)	(6.1)	(3.9)	(18.2)	(25.0)	(20.3)
FTSE Italia STAR	2.8	1.0	(8.3)	(9.7)	(24.4)	(35.8)	(30.3)
FTSE Italia Growth	0.4	(0.9)	(5.3)	(3.6)	(15.6)	(23.2)	(18.5)

Source: Thomson Reuters Eikon

**Table 15 – Labomar, relative performances**

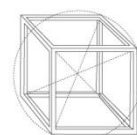
	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	0.9	(1.2)	1.2	5.3	2.9	5.0	(11.6)
to EUROSTOXX	(1.4)	(2.7)	(0.6)	3.0	(2.8)	2.5	(12.9)
to FTSE Italia All Share	(1.6)	(1.9)	(1.4)	2.1	(1.2)	3.6	(12.2)
to FTSE Italia STAR	(2.8)	(4.7)	0.8	8.0	5.1	14.4	(2.2)
to FTSE Italia Growth	(0.4)	(2.8)	(2.2)	1.9	(3.7)	1.8	(14.1)
to CDMO Peer Median	(1.6)	(4.3)	(3.9)	(0.9)	2.5	15.8	(0.1)
to Domestic B2B Median	(1.6)	(4.0)	(2.5)	2.1	0.4	16.7	(1.3)

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).





## ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
03/10/2022	€9.50	BUY
25/05/2022	€11.00	NEUTRAL
22/04/2022	€11.00	NEUTRAL
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

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- ☐ 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.

