

Italy – Nutraceutical

Strong top line growth prompts LBM to reiterate the guidance

20th October 2022

9M-22 PRELIMINARY SALES

RIC: LBM.MI
BBG: LBM IM

9M-22 turnover confirms the group's ability to cope with a tough macroeconomic and geopolitical environment, thanks to continuous product innovation, the wide product portfolio and the strong R&D effort. The orders already collected allow Labomar to be optimistic about double-digit organic growth in 2022 as well as to be confident about continuing to grow also in 2023.

Rating:

Buy

Price Target:

€ 9.50

Upside/(Downside): 20.3%

Last Price: € 7.90

Market Cap.: € 147.2m

1Y High/Low: € 12.80 / € 7.32

Avg. Daily Turn. (3M, 6M): € 33k, € 28k

Free Float: 22.0%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-4.8%	5.1%	-36.5%
Rel.to FTSE IT Growth	-2.3%	8.9%	-16.7%
Rel.to CDMO peers	-12.4%	8.6%	-11.7%

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Enduring sales growth lets LBM easily reach FY-22 targets: estimates unchanged

In 9M-22, Labomar announced unaudited preliminary turnover characterised by strong organic growth, mainly with regard to Labomar stand-alone. Revenues growth was driven by the recovery in some important product categories, such as probiotics and cough & cold, which were severely impacted by the covid-19 pandemic in 2021, coupled with increasing sales stemming from the main key international customers and the launch of new products. 9M-22 turnover represents 77% of CFO SIM's expected figure for FY-22, thus our top line estimate can easily be reached by the company. In addition, Labomar's management is confident about confirming the guidance provided to the market, i.e. double-digit organic growth in 2022. In view of the orders already collected and confirmed, Labomar expects 2023 to be a real opportunity for further growth. Estimates, Rating and PT are confirmed.

Revenues at € 64.5m, up by 44.5% YoY. +25.6% on a like-for-like basis

Total revenues were € 64.5m, up by 44.5% YoY compared to € 44.6m in 9M-21. It is worth remembering that 2022 figure includes the consolidation as of the beginning of the year of all the group's companies (i.e. Labomar, ImportFab, Welcare and Labiotre), while in 2021 Welcare was consolidated as of July and Labiotre was not included in 9M results as it was acquired in November. Thus, on a like-for-like basis, revenues grew by 25.6% to € 56.1m.

Labomar stand-alone grew by 26.4% YoY, ImportFab benefited from cross-fertilisation

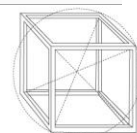
On a stand-alone basis, Labomar reported € 48.7m, up by 26.4% YoY thanks to the aforementioned recovery of probiotics and cough & cold products coupled with the launch of several new solutions intended for sleep disorders and gastroenterological illnesses. In particular, key international customers drove growth and, therefore, foreign revenues with respect to Labomar stand-alone represented 35% of the total. ImportFab benefited from the introduction of its first catalogue of ready-to-market products developed in collaboration with Labomar's R&D department. This was one of the strategic pillars of the group's strategy when ImportFab was acquired, namely making use of cross-fertilisation synergies in order to transform ImportFab into a CDMO rather than a simple CMO.

Welcare boosted its presence abroad, Labiotre focused on new botanical extracts

Welcare experienced strong growth on the international markets, also thanks to the launch of new medical devices intended for the treatment of cancer patients. Finally, Labiotre totalled € 5.1m, basically flat YoY (even if it is worth remembering that it was not included in 9M-21 results as it was acquired in Nov-21). The main focus in these months was on reviewing the portfolio of botanical extracts.

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%	-7.2%	3.0%	4.2%	5.5%
PER x	20.5	24.2	25.6	22.0	17.2
EV/Sales x	2.09	3.47	2.04	1.82	1.63
EV/EBITDA x	10.5	22.8	11.6	9.9	8.1
EV/EBIT x	15.6	96.5	21.6	18.3	13.9



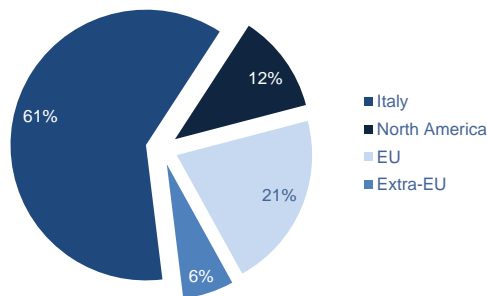


The Company at a Glance

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 CAGR₁₄₋₂₁ 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_{14-21PF} in the same period, resulting in a wider product portfolio and access to new countries.

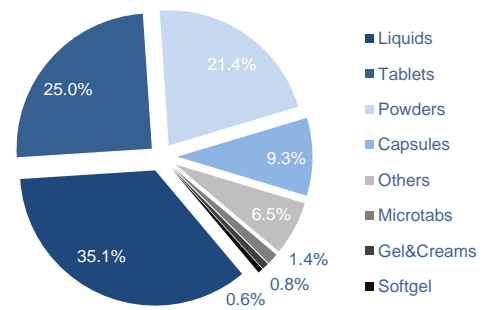
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1%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

2021 Revenues breakdown by geography*...



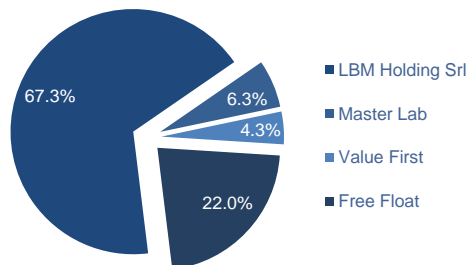
*consolidated figures

... and by pharmaceutical form**



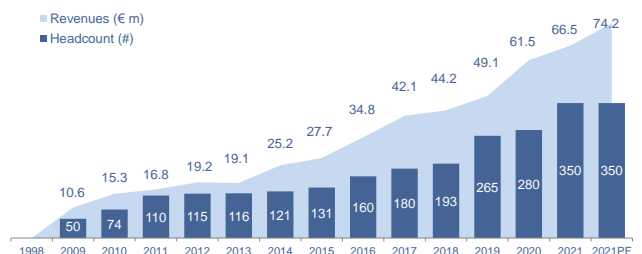
**Labomar stand-alone

Shareholder structure



Source: Company data

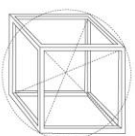
Top line and headcount evolution



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	3.21	2.88	12.1	10.5	16.4	13.9	19.4	16.1
Clover Corporation Ltd	2.33	2.00	14.5	11.4	15.5	12.1	22.4	17.9
Fine Foods & Pharmaceuticals NTM SpA	0.88	0.88	11.1	7.9	69.0	18.8	n.m.	19.6
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.4	11.3
Lonza Group AG	6.11	5.46	19.4	16.7	27.4	23.3	32.7	27.5
Probi AB	2.91	2.55	10.6	9.4	19.1	16.3	28.7	25.8
Siegfried Holding AG	2.47	2.33	11.4	10.8	16.7	16.2	18.8	17.8
Median CDMO	2.69	2.44	11.7	10.7	17.9	16.2	20.9	17.9
Biesse SpA	0.31	0.31	3.0	2.9	5.5	5.1	12.5	11.1
Brembo SpA	1.08	1.00	6.2	5.7	10.2	9.3	11.8	11.1
Eurotech SpA	1.16	0.78	15.2	3.9	49.1	4.9	32.1	5.6
Interpump Group SpA	2.30	2.18	10.0	9.4	12.7	12.5	15.5	15.2
Lu-Ve SpA	0.85	0.80	6.6	6.2	11.4	11.0	11.9	12.5
Prima Industrie SpA	0.70	0.60	6.9	4.9	12.7	7.5	16.0	9.5
Median Domestic B2B	0.96	0.79	6.7	5.3	12.0	8.4	14.0	11.1
Labomar SpA	2.04	1.82	11.6	9.9	21.6	18.3	25.6	22.0

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)	(16.0)	(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



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DATE	TARGET PRICE	RATING
20/10/2022	€9.50	BUY
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

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

