

Italy – Nutraceutical

Good sales momentum supported by a strong orders intake

4th November 2022

MID SMALL CAP FORUM MADRID

RIC: LBM.MI
BBG: LBM IM

On 3rd November, Labomar attended the Mid Small Cap Forum in Madrid, a full-day investor event of which CFO SIM was sole sponsor, arranging for four Italian SMEs over twenty meetings with several Spanish investors. The IR Manager & Board Member Dr. Claudio De Nadai met seven key Spanish investors in one-to-one and one-to-few meetings. Here are the main points worth remembering from the conference.

Rating:

Buy

Price Target:

€ 9.50

Upside/(Downside): 21.8%

Last Price: € 7.80

Market Cap.: € 145.2m

1Y High/Low: € 12.50 / € 7.32

Avg. Daily Turn. (3M, 6M): € 30k, € 27k

Free Float: 22.0%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-2.5%	-11.4%	-36.6%
Rel.to FTSE IT Growth	-2.3%	-3.2%	-16.3%
Rel.to CDMO peers	-5.2%	-5.5%	-13.2%

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Enduring sales growth lets LBM easily reach FY-22 targets

Labomar recently announced 9M-22 preliminary sales at € 64.5m, up by 44.5% YoY (25.6% on a like-for-like basis) driven by the recovery in some important product categories, such as probiotics and cough & cold coupled with increasing sales stemming from the main key international customers and the launch of new products. Labomar's management reiterated its confidence about reaching the guidance provided to the market, i.e. double-digit organic growth in 2022. Furthermore, in view of the orders already collected and confirmed, Labomar expects 2023 to be a real opportunity for further growth.

Organic growth mainly driven by increasing share of wallet of key customers

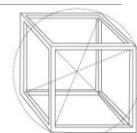
In particular, organic growth was driven by key international customers and, therefore, foreign revenues with respect to Labomar stand-alone represented 35% of the total. Among the main global pharmaceutical companies, the trend is to reduce the number of suppliers, focusing on the most reliable and efficient ones. Thanks to its ability to be a reference partner for customers looking for innovative and effective products, Labomar can unquestionably take advantage of this trend increasing the share of wallet of its main customers. By way of example, Bayer, one of the main customers for Labomar, plans to drastically reduce the number of suppliers with regard to nutraceutical products. In this context, Labomar was recently awarded by Bayer as Best External Partner 2021, thanks to its ability to develop and launch two products in EMEA in the Cough & Cold and nutrition segments with an extremely fast time-to-market of only 12 months despite the pandemic.

The M&A activity remains a strategy pillar for the group

Thanks to the M&A activity carried out since the IPO, Labomar has strengthened its full coverage of the entire value chain, unquestionably becoming a fully integrated player offering their customers services across the entire product life-cycle, from R&D activity to packaging of finished products. In addition, the group is able to manage the plants cultivation through Labomar Next as well as the manufacturing of botanical extracts thanks to Labiotre, which has just presented an updated product portfolio at the CPHI trade fair in Frankfurt. Labomar is always looking for new M&A opportunities, focusing on: 1) European companies in order to have direct access to new geographical markets, for example France, Spain or Eastern Europe; 2) small and well-organised companies in order to properly manage the production of small batches with high flexibility. 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, and 5) proactive go-to-market strategy. Estimates, rating and PT confirmed.

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%	3.1%	4.3%	5.6%
PER x	20.5	24.2	25.2	21.7	16.9
EV/Sales x	2.09	3.47	2.01	1.80	1.61
EV/EBITDA x	10.5	22.8	11.5	9.7	8.0
EV/EBIT x	15.6	96.5	21.3	18.1	13.7



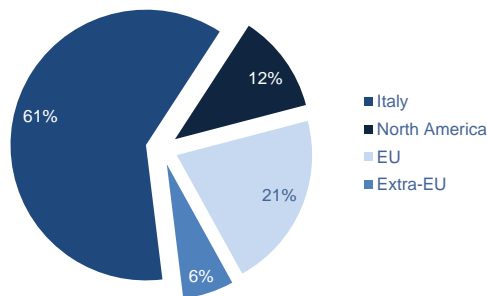


The Company at a Glance

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.

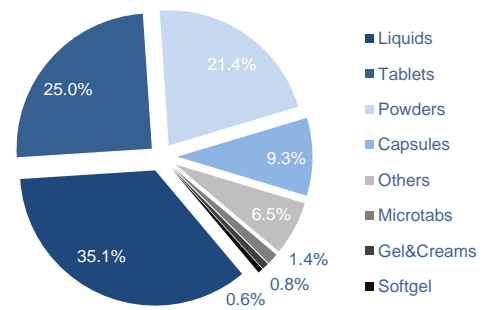
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1%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

2021 Revenues breakdown by geography*...



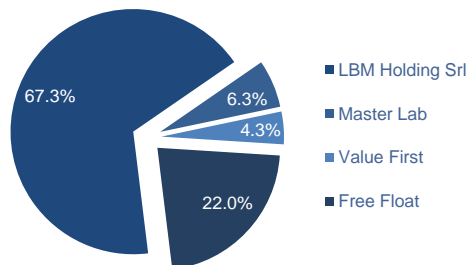
*consolidated figures

... and by pharmaceutical form**



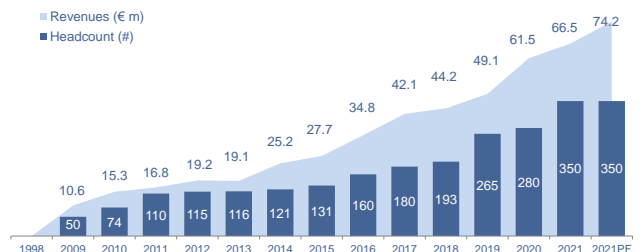
**Labomar stand-alone

Shareholder structure



Source: Company data

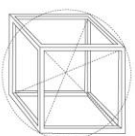
Top line and headcount evolution



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	2.31	2.09	8.9	7.7	12.2	10.3	13.2	11.1
Clover Corporation Ltd	2.31	1.98	14.4	11.3	15.4	12.0	22.2	17.7
Fine Foods & Pharmaceuticals NTM SpA	0.88	0.88	11.1	7.9	68.9	18.8	n.m.	19.6
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21.9	14.0
Lonza Group AG	5.99	5.35	19.0	16.5	27.8	22.9	32.1	27.0
Probi AB	3.23	2.76	12.3	10.8	24.3	19.7	36.1	31.0
Siegfried Holding AG	2.53	2.39	11.6	11.2	17.1	16.8	19.3	18.6
Median CDMO	2.42	2.24	12.0	11.0	20.7	17.8	22.0	18.6
Biesse SpA	0.26	0.29	2.6	2.9	5.2	5.7	12.8	12.6
Brembo SpA	1.17	1.09	6.7	6.2	11.0	10.0	12.9	12.1
Eurotech SpA	1.13	0.75	14.8	3.8	47.7	4.8	31.3	5.4
Interpump Group SpA	2.37	2.23	10.3	9.7	13.0	12.9	16.0	15.7
Lu-Ve SpA	0.90	0.85	7.0	6.6	12.1	11.7	12.7	13.3
Prima Industrie SpA	0.70	0.60	6.9	4.9	12.8	7.5	16.1	9.6
Median Domestic B2B	1.01	0.80	7.0	5.6	12.4	8.8	14.4	12.4
Labomar SpA	2.01	1.80	11.5	9.7	21.3	18.1	25.2	21.7

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
04/11/2022	€9.50	BUY
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

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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.

