

Italy – Nutraceutical

FY-22 preliminary sales beat consensus

30th January 2023

FY-22 PRELIMINARY SALES

RIC: LBM.MI
BBG: LBM IM

Labomar unveiled 2022 preliminary sales above expectations, almost one year in advance of our forecast. Organic growth was driven by the increased share of wallet of the main international customers as well as the recovery of some important product categories, namely probiotics and cough & cold.

Rating:

Buy

Price Target:

€ 9.50

Upside/(Downside): 15.3%

Last Price: € 8.24

Market Cap.: € 152.6m

1Y High/Low: € 10.50 / € 7.32

Avg. Daily Turn. (3M, 6M): € 31k, € 30k

Free Float: 22.0%

Major shareholders:

LBM Holding Srl 67.3%



Stock price performance

	1M	3M	12M
Absolute	-8.2%	7.3%	-8.4%
Rel.to FTSE IT Growth	-12.5%	-0.5%	3.5%
Rel.to CDMO peers	-21.6%	-2.9%	-4.6%

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FY-22 preliminary sales exceeded consensus by approximately 10%

Labomar announced FY-22 preliminary sales up by 41.5% YoY to € 92m (46% of which realised abroad), also thanks to a strong Q4. The figure is almost 10% higher than both our estimate of € 84.1m and consensus (€ 83.5m). It is worth remembering that FY-22 is the first year of full consolidation of the companies acquired in 2021, namely Welcare (consolidated 6M in 2021) and Labiotre (1M in 2021). On a pro-forma basis, consolidated sales grew by 24% YoY. In view of the orders already collected and confirmed, Labomar expects 2023 to be a real opportunity for further growth. Complete FY-22 results will be unveiled on 29 March. In the meanwhile, we confirm estimates, rating and PT.

Revenues - € m	2017	2018	2019	2020	2021	2022	% CAGR ₁₇₋₂₂
Labomar stand-alone	41.9	43.5	47.0	51.8	53.8	ca. 71	11.1
% YoY		3.8%	8.1%	10.2%	3.9%	31.5%	
Acquisitions *			1.4	9.3	11.6	ca. 21	
Total	41.9	43.5	48.3	61.1	65.4	ca. 92	17.2
% YoY		3.8%	11.2%	26.3%	7.0%	41.5%	

Source: Company data, CFO SIM analysis

* Consolidated pro-rata temporis (ImportFab acquired in 2019, Welcare and Labiotre in 2021)

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

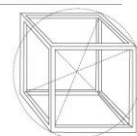
Labomar stand-alone totalled € 71m, growing by 31.5% YoY (CAGR₁₇₋₂₂ of 11.1%) mainly thanks to the recovery in some important product categories, such as probiotics and cough & cold, demand for which was severely impacted during the pandemic. Furthermore, the increased share of wallet of the main international customers and a boost in productivity stemming from a better operational efficiency also drove the brilliant performance.

Being a one-stop-shop CDMO is definitely a strong competitive advantage

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, continuously increasing the share of wallet of its main customers. Furthermore, 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 its 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 plants cultivation through Labomar Next as well as the manufacturing of botanical extracts thanks to Labiotre.

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	1.3%	1.2%	1.2%	1.3%	1.7%
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	1.7%	-6.9%	2.9%	4.1%	5.3%
PER x	20.5	24.2	26.5	22.8	17.8
EV/Sales x	2.09	3.47	2.10	1.88	1.69
EV/EBITDA x	10.5	22.8	12.0	10.2	8.4
EV/EBIT x	15.6	96.5	22.2	18.9	14.4

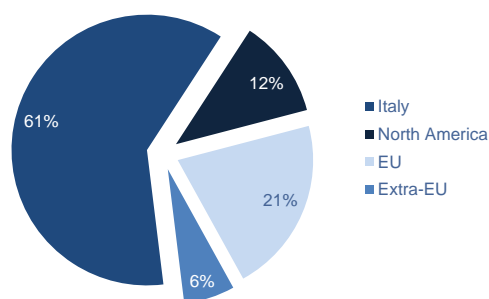


The Company at a Glance

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.

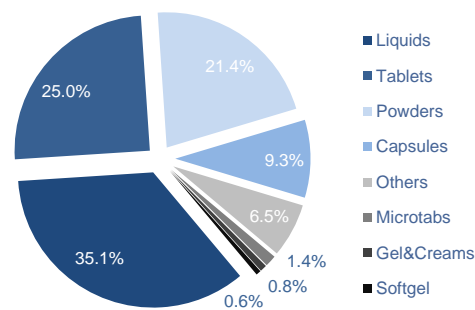
In 2021, total revenues were € 64.5m (39% of which generated abroad), adjusted EBITDA totalled € 10.1m, 15.2% margin and adjusted Net Profit was equal to € 8.4m (12.6% margin). Net Financial Position was € 28.2m. On a pro-forma basis, FY-21 revenues totalled € 74.2m and EBITDA reached € 12.7m, 17.1%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

2021 Revenues breakdown by geography*...



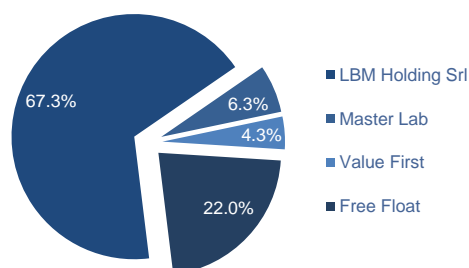
*consolidated figures

... and by pharmaceutical form**



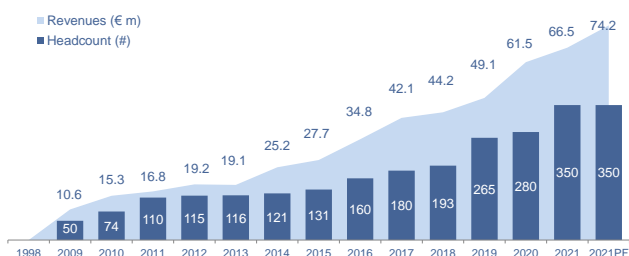
**Labomar stand-alone

Shareholder structure



Source: Company data

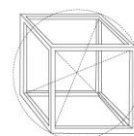
Top line and headcount evolution



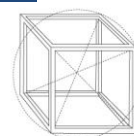
Peer group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Catalent Inc	2.81	2.58	10.9	9.6	15.1	12.8	17.1	14.6
Clover Corporation Ltd	2.52	2.16	15.7	12.4	16.7	13.1	24.1	19.3
Fine Foods & Pharmaceuticals NTM SpA	0.87	0.91	10.7	8.2	76.4	19.4	n.m.	21.3
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.8	11.0
Lonza Group AG	5.99	5.40	19.2	16.4	28.0	23.4	33.5	27.4
Probi AB	2.59	2.31	9.3	8.7	17.8	16.5	18.1	17.8
Siegfried Holding AG	2.81	2.68	12.9	12.8	19.1	19.3	22.0	21.6
Median CDMO	2.70	2.45	11.9	11.0	18.4	17.9	20.0	19.3
Biesse SpA	0.41	0.42	4.0	4.2	7.7	8.4	15.7	16.8
Brembo SpA	1.24	1.14	7.0	6.5	11.1	10.2	12.9	12.5
Eurotech SpA	n.a.	0.92	n.a.	4.5	n.a.	5.7	n.m.	5.3
Interpump Group SpA	2.89	2.66	12.5	11.4	15.7	14.4	19.4	18.9
Lu-Ve SpA	0.96	0.93	7.6	7.2	13.8	12.6	13.4	17.0
Prima Industrie SpA	0.70	0.59	6.8	4.8	12.6	7.3	16.2	9.7
Median Domestic B2B	0.96	0.92	7.0	5.6	12.6	9.3	15.7	14.7
Labomar SpA	2.10	1.88	12.0	10.2	22.2	18.9	26.5	22.8

Sources: CFO SIM, Refinitiv 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



ANALYST CERTIFICATION

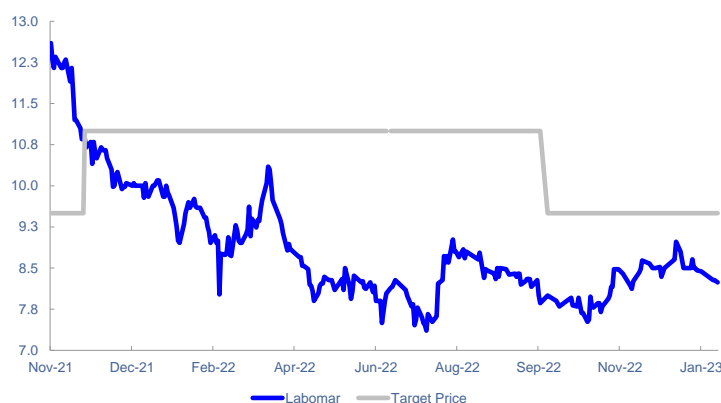
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DATE	TARGET PRICE	RATING
30/01/2023	€9.50	BUY
04/11/2022	€9.50	BUY
20/10/2022	€9.50	BUY
03/10/2022	€9.50	BUY
25/05/2022	€11.00	NEUTRAL
22/04/2022	€11.00	NEUTRAL
06/04/2022	€11.00	NEUTRAL
11/03/2022	€11.00	NEUTRAL
18/01/2022	€11.00	NEUTRAL

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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.

