CORPORATE FAMILY OFFICE SIM

LABOMAR

Italy – Nutraceutical

Strong FY-22 results, double-digit growth expected in 2023

5th April 2023

FY-22 RESULTS RELEASE

RIC: LBM.MI
BBG: LBM IM

Labomar reported growing results both in terms of revenues and margins. The group benefited from the recovery of the probiotics and cough & cold segments, coupled with its ability to continuously offer new innovative products to customers and take advantage of the IPs developed by the internal R&D department. Labomar expects 2023 to be a real opportunity for further growth, forecasting double-digit top line progression.

Rating:
Neutral (Buy)

Price Target:
€ 10.00 (€ 9.50)

Upside/(Downside): 8.1%

Last Price: € 9.25

Market Cap.: € 170.1m

1Y High/Low: € 9.88 / € 7.32

Avg. Daily Turn. (3M, 6M): € 57k, € 37k

Free Float: 22.0%

Major shareholders:
LBM Holding Srl 67.3%

Stock price performance

	1M	3M	12M
Absolute	15.9%	5.1%	-5.0%
Rel.to FTSE IT Growth	16.4%	4.5%	5.1%
Rel.to CDMO peers	18.2%	-7.5%	-31.0%

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Estimates upgraded: new DCF-based PT of € 10.00/s (€ 9.50). Neutral (Buy)
On the back of FY-22 results, we have updated our model, by factoring in 1) double-digit top line growth in 2023, 2) broadly unchanged assumptions with regard to profitability and 3) a redesign of the capex plan for the new L6 plant, including the building of the new logistics hub and the expansions of the production area dedicated to liquids. The combined result is an average 11.6% and 7.8% increase in revenues and EBITDA in 2023-24 as well as a significant increase in NFP following the massive capex plan. Moreover, we have introduced projections for 2025. CFO has also updated the DCF valuation criteria, bringing the Free Risk Rate up-to-date and postponed the first valuation year to 2023. The combined result is a new DCF-based PT at € 10.00/s (€ 9.50), 8.1% upside. The value brought in by the upgrade in estimates was almost entirely absorbed by the sharp increase of the free risk rate. Thus, the limited upside to current prices led us to change our rating to Neutral (Buy).

Revenues up by 40% YoY to € 91.8m, +25% YoY on a like-for-like basis
Revenues were € 91.8m, up by 40.4% YoY and 9.2% better than our forecast. It is worth remembering that FY-22 is the first year of full consolidation of the companies acquired in 2021. On a pro-forma basis, consolidated sales grew by 25% YoY. Revenues growth was mainly driven by growing volumes, and, to a lesser extent, by price increases. Labomar stand-alone totalled € 70.7m, up by 31.5% YoY ($CAGR_{17-22}$ of 11.0%) thanks to the recovery of some important product categories, such as probiotics and cough & cold, as well as the increased share of wallet of the main international customers.

EBITDA at € 16.6m, 18.0% margin. Net Profit of € 6.1m, 6.7% margin
EBITDA was € 16.6m, 18.0% margin (€ 10.1m, 15.5% margin in 2021), 11% higher than our projection. Labomar was able to strongly improve profitability despite the reinforcement of top management and the operating structure. The main drivers were rising volumes and, to a lesser extent, price increases in order to pass the increasing costs of raw materials and energy through to customers. EBIT totalled € 9.5m, 10.3% margin, vs € 2.4m, 3.7% margin in 2021. It is worth remembering that in 2021, EBIT was affected by the write-off of the goodwill on ImportFab (€ 2.2m). Net Profit came in at € 6.1m, 6.7% margin (€ 8.4m, 12.8% margin in 2021). In 2021, net profit was positively affected by 1) € 5.5m income stemming from the fair value revaluation of the stake held in Labiotre and 2) a € 0.4m benefit related to the settlement of the residual debt for the acquisition of ImportFab.

NFP of € 27.6m (1.7x NFP/EBITDA). DPS of € 0.10 (30% pay-out, 1.1% yield)
NFP declined to € 27.6m from € 28.2m in FY-21. NFP includes the valorisation of the Put & Call option for the acquisition of the minority stakes in ImportFab and Welcare (€ 7.3m) as well as the right-of-use liabilities in accordance with the IFRS16 (€ 4.2m). At the AGM, the BoD will propose a € 0.10 DPS (unchanged to FY-21 and in line with our forecast).

Labomar, key financials and ratios

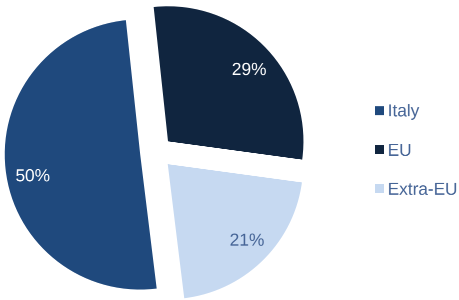
€ m	2021	2022	2023e	2024e	2025e
Value of Production	66.5	93.0	103.1	111.2	120.0
EBITDA	10.1	16.6	18.5	21.4	24.0
EBIT	2.4	9.5	9.5	11.3	13.8
Net Profit	8.4	6.1	6.6	8.0	9.9
NFP (cash)/debt	28.2	27.6	38.3	42.9	45.7
EBITDA margin	15.5%	18.0%	18.2%	19.4%	20.2%
EPS	0.45	0.33	0.36	0.43	0.53
EPS growth	*37.2%*	*-26.5%*	*7.1%*	*21.0%*	*24.1%*
Dividend	0.10	0.10	0.11	0.13	0.16
Dividend Yield	1.1%	1.1%	1.2%	1.4%	1.7%
ROCE	2.7%	9.5%	9.0%	10.2%	11.6%
NWC/Sales	17.7%	17.1%	18.1%	18.1%	18.1%
Free Cash Flow Yield	-6.2%	1.9%	-5.2%	-1.5%	-0.3%
PER x	24.2	25.7	25.9	21.4	17.2
EV/Sales x	3.47	2.00	2.02	1.91	1.80
EV/EBITDA x	22.8	11.2	11.3	10.0	9.0
EV/EBIT x	96.5	19.7	22.0	18.8	15.6

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 14.0% organic sales $CAGR_{14\text{-}22}$ 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 17.8% $CAGR_{14\text{-}22}$, resulting in a wider product portfolio and access to new countries.

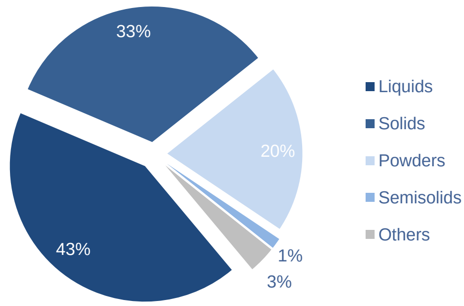
In 2022, total revenues were € 91.8m, EBITDA totalled € 16.6m, 18.0% margin and Net Profit was equal to € 6.1m (6.7% margin). Net Financial Position was € 27.6m.

2022 Revenues breakdown by geography*…



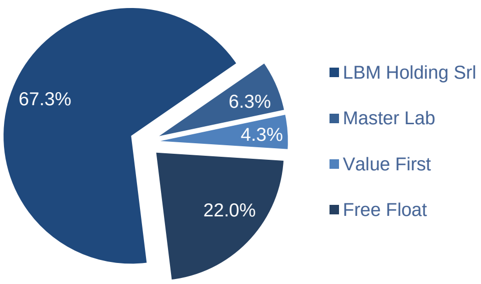
*consolidated figures

… and by pharmaceutical form**



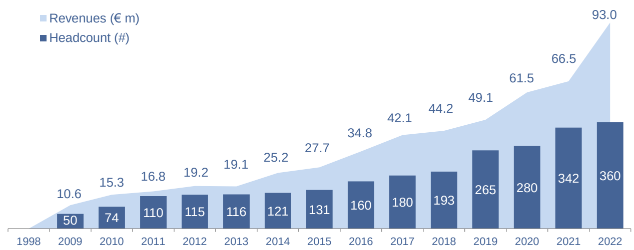
**Labomar stand-alone

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	3.19	2.93	12.3	11.0	16.9	14.6	19.8	17.4
Clover Corporation Ltd	2.35	1.97	18.9	13.4	20.5	14.3	30.5	21.4
Fine Foods & Pharmaceuticals NTM SpA	0.91	0.70	8.2	5.5	19.5	10.7	21.5	13.5
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.1	9.2
Lonza Group AG	6.18	5.57	20.1	16.9	29.6	24.2	36.1	28.8
Probi AB	2.48	2.21	8.9	8.3	17.1	15.7	17.5	17.2
Siegfried Holding AG	2.60	2.36	12.4	10.9	18.1	16.1	20.9	18.8
Median CDMO	**2.54**	**2.29**	**12.3**	**11.0**	**18.8**	**15.2**	**20.9**	**17.4**
Biesse SpA	0.37	0.36	3.7	3.5	6.7	6.2	14.9	14.3
Brembo SpA	1.29	1.18	7.5	6.7	11.9	10.3	14.6	13.2
Eurotech SpA	1.05	0.76	8.9	4.2	15.5	5.5	15.4	7.1
Interpump Group SpA	2.65	2.47	11.1	10.4	13.8	13.0	18.8	17.9
Lu-Ve SpA	1.17	1.02	9.3	8.0	17.5	13.5	16.1	20.4
Median Domestic B2B	**1.17**	**1.02**	**8.9**	**6.7**	**13.8**	**10.3**	**15.4**	**14.3**
Labomar SpA	**2.02**	**1.91**	**11.3**	**10.0**	**22.0**	**18.8**	**25.9**	**21.4**

Sources: CFO Sim, Refinitiv Eikon

Income statement (€ m)	2021	2022	2023e	2024e	2025e
Revenues	65.4	91.8	101.9	110.1	118.9
Value of Production	66.5	93.0	103.1	111.2	120.0
Raw material and processing	(29.9)	(40.5)	(44.8)	(47.8)	(51.6)
Services	(11.9)	(16.5)	(18.5)	(19.5)	(20.4)
Personnel expenses	(14.3)	(18.8)	(20.6)	(21.9)	(23.3)
Other opex	(0.3)	(0.7)	(0.7)	(0.7)	(0.7)
EBITDA	10.1	16.6	18.5	21.4	24.0
D&A	(7.7)	(7.1)	(9.0)	(10.1)	(10.2)
EBIT	2.4	9.5	9.5	11.3	13.8
Financials	0.2	(0.8)	(0.9)	(1.0)	(1.0)
Re/(Devaluation) of financial assets	5.9	(0.0)	0.0	0.0	0.0
Forex gain/(loss)	0.5	(0.1)	0.0	0.0	0.0
Pre-Tax profit	9.0	8.5	8.5	10.3	12.8
Income taxes	(0.7)	(2.5)	(2.0)	(2.4)	(3.0)
Minorities	0.1	0.1	0.0	0.0	0.0
Net Profit	8.4	6.1	6.6	8.0	9.9
EBITDA Adjusted	10.1	16.6	18.5	21.4	24.0
EBIT Adjusted	2.4	9.5	9.5	11.3	13.8
Net Profit Adjusted	8.4	6.1	6.6	8.0	9.9

Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	11.8	15.9	18.6	20.2	21.7
Net Fixed Assets	69.2	71.4	85.4	95.3	105.1
Equity Investments	1.0	2.6	2.6	2.6	2.6
Other M/L Term A/L	(8.1)	(11.4)	(12.6)	(13.6)	(14.6)
Net Invested Capital	73.9	78.6	94.0	104.6	114.9
Net Financial Debt	28.2	27.6	38.3	42.9	45.7
Minorities	(0.0)	0.0	0.0	0.0	0.0
Group's Shareholders Equity	45.7	50.9	55.7	61.7	69.1
Financial Liabilities & Equity	73.9	78.6	94.0	104.6	114.9

Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	8.4	6.1	6.6	8.0	9.9
Depreciation	7.7	7.1	9.0	10.1	10.2
Other non-cash charges	(2.0)	0.9	1.2	0.9	1.0
Cash Flow from Oper. (CFO)	14.1	14.2	16.8	19.0	21.1
Change in NWC	(5.5)	(4.2)	(2.7)	(1.5)	(1.5)
FCF from Operations (FCFO)	8.6	10.0	14.1	17.4	19.5
Net Investments (CFI)	(19.2)	(6.7)	(23.0)	(20.0)	(20.0)
Free CF to the Firm (FCFF)	(10.6)	3.3	(8.9)	(2.6)	(0.5)
CF from financials (CFF)	(9.8)	3.6	(1.8)	(2.0)	(2.4)
Free Cash Flow to Equity (FCFE)	(20.4)	6.9	(10.7)	(4.6)	(2.8)

Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA adj. margin	15.5%	18.0%	18.2%	19.4%	20.2%
EBIT adj. margin	3.7%	10.3%	9.3%	10.3%	11.6%
Net profit adj. margin	12.8%	6.7%	6.5%	7.2%	8.3%
Tax rate	8.1%	29.3%	23.0%	23.0%	23.0%
Op NWC/Sales	17.7%	17.1%	18.1%	18.1%	18.1%
Interest coverage x	(10.71)	12.07	10.17	11.58	13.75
Net Debt/EBITDA x	2.79	1.67	2.07	2.01	1.91
Debt-to-Equity x	0.62	0.54	0.69	0.70	0.66
ROIC	11.3%	7.8%	7.0%	7.6%	8.6%
ROCE	2.7%	9.5%	9.0%	10.2%	11.6%
ROACE	2.9%	10.1%	9.3%	10.5%	12.0%
ROE	18.3%	12.1%	11.8%	12.9%	14.3%
Payout ratio	22.1%	30.1%	30.0%	30.0%	30.0%

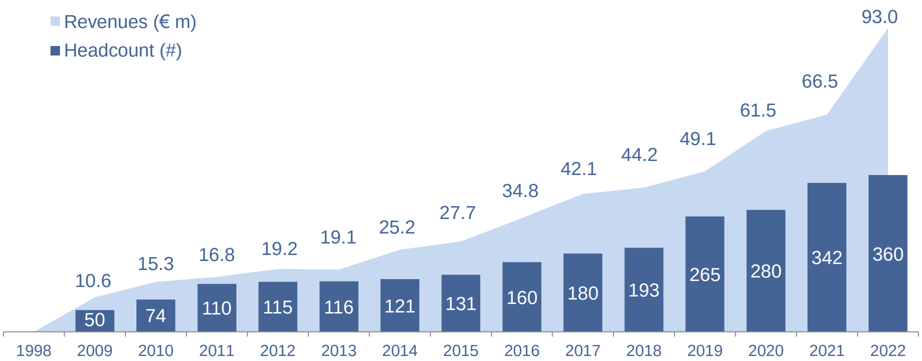
Per share figures	2021	2022	2023e	2024e	2025e
Number of shares # m	18.48	18.48	18.48	18.48	18.48
Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
Average Number of shares Fully Diluted # m	18.48	18.48	18.48	18.48	18.48
EPS stated FD €	0.45	0.33	0.36	0.43	0.53
EPS adjusted FD €	0.45	0.33	0.36	0.43	0.53
EBITDA €	0.55	0.90	1.00	1.16	1.30
EBIT €	0.13	0.51	0.51	0.61	0.75
BV €	2.47	2.76	3.01	3.34	3.74
FCFO €	0.46	0.54	0.76	0.94	1.06
FCFF €	(0.57)	0.18	(0.48)	(0.14)	(0.02)
FCFE €	(1.10)	0.37	(0.58)	(0.25)	(0.15)
Dividend €	0.10	0.10	0.11	0.13	0.16

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 a **14.0% organic sales CAGR$_{14\text{-}22}$** 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 17.8% CAGR$_{14\text{-}22}$**, resulting in a wider product portfolio and access to new countries.

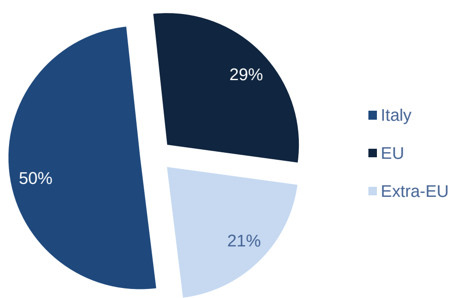
Chart 1 – Labomar, 2009-22 top line and headcount evolution

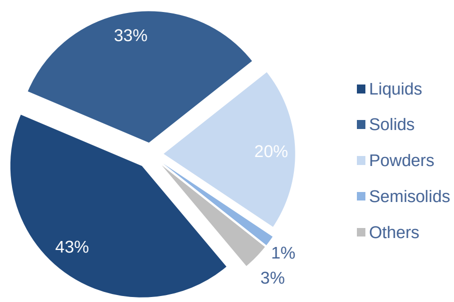


Source: CFO SIM elaboration on AIDA and Company data

The group's global export sales account for 50% of the total. In terms of dosage form, 43% of Labomar's turnover comes from liquids, 33% from solids, 20% from powders, 1% from semisolids and the remaining 3% 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, 2022 top line breakdown by geography* and pharmaceutical form**

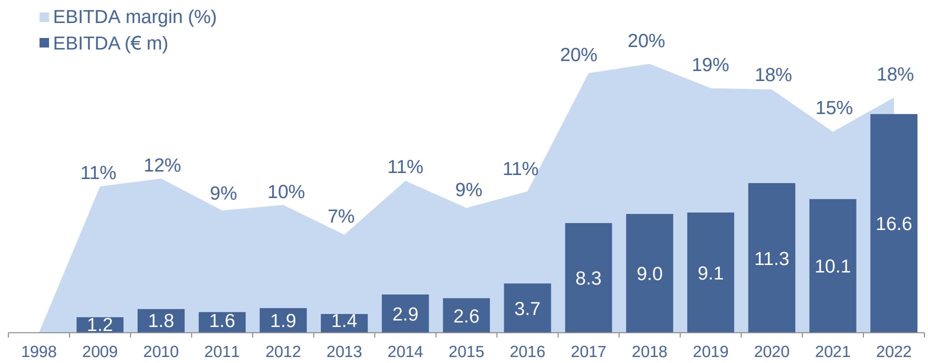




*Source: Company data   *consolidated figures   ** Labomar stand alone*

In 2022, total revenues were € 91.8m (VoP of € 93.0), EBITDA totalled € 16.6m, 18.0% margin and Net Profit was equal to € 6.1m (6.7% margin). Net Financial Position was € 27.6m.

Chart 3 – Labomar, 2009-22 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. As of today, the group provides its customers with **about 1,500 different Stock Keeping Units (SKUs)** per year.

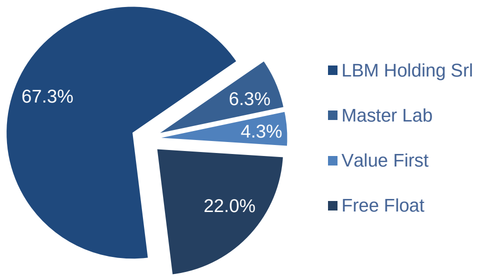
Labomar has a unique salesforce compared to other CDMOs. As of today, it comprises **12 Business Development Managers – BDMs**, namely professionals with high seniority and a good relationship network in the pharmaceutical sector. Each BDM has a portfolio of about 20 customers and works closely with 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 2023. 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, the group draws up an **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.

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.

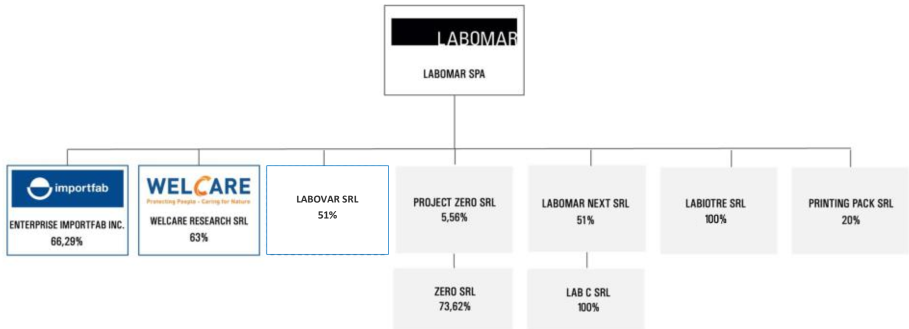
Chart 4 – Labomar, current shareholder structure



Source: Company data

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.

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 € 30-35m, 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, 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.

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

- **Well-structured R&D team** managing over 800 projects per year
- **Wide product portfolio** with several **ready-to-market** solutions
- **Coverage of the entire value-chain**
- 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

Weaknesses

- **A tiny portion of the new formulas** developed by the R&D dept. **results in the manufacturing of new products**
- Relatively small number of **publications/clinical studies**

Opportunities

- The **increasing outsourcing trend** by pharma companies, both in terms of R&D and production
- **Consolidation of the CDMO sector:** Labomar could be an industrial aggregator
- **Big Pharma are consolidating their supplier base**, choosing partners able to offer services across the entire product life-cycle

Threats

- **Highly-skilled labour is scarce,** namely in the R&D dept.
- **Other potential consolidating actors in the industry** with huge fire power (i.e. private equity funds)
- **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 2023**. 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 6 – Labomar, ESG Profile

Environmental	❑ ESG Rating: "Silver", assigned by EcoVadis, a result achieved only by 25% of companies surveyed ❑ 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) ✓ reduction in the use of plastic in dining areas ✓ increase in the use of certified paper ❑ Sustainable Packaging Project: the goal is to sustainably innovate packaging in line with Circular and Bio-based Economy principles ❑ Sustainable Supply Project: the goal is to create a supplier management policy that prioritise suppliers that generate social and environmental value ❑ Zero Waste Project: waste reduction and ESG-oriented 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, 17 patent families, 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) encouraging inclusion and diversity ❑ Local love program: charity, sponsorship, events and local initiatives
Governance	❑ Publication of the Impact Report ❑ Benefit Company since 2020. In addition, according to an internal self-assessment, Labomar is already compliant with the requirements for achieving the B-Corp certification and it is awaiting an audit by the certification body ❑ BeCircular, 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

FY-22 Results

Labomar reported a remarkable set of results, better than our forecasts both in terms of turnover and margins. In a year characterised by a tough social and economic environment, Labomar was able to 1) maximise synergies with the acquired companies, thanks to several cross-selling projects, 2) offer customers new innovative products and 3) take advantage of several IPs developed by the internal R&D department. Labomar expects 2023 to be a real opportunity for further growth, forecasting double-digit top line progression.

Table 1 – Labomar, FY 2022-21 results summary

€ m	2022	2021	% YoY	2022e	% Diff.
Revenues	**91.8**	**65.4**	***40.4***	**84.1**	**9.2**
Increase in finished products	0.0	0.0		0.0	
Other revenues	1.2	1.1		0.8	
Value of Production	**93.0**	**66.5**	***39.8***	**84.8**	**9.6**
Raw material and processing	(40.5)	(29.9)		(35.2)	
Services	(16.5)	(11.9)		(15.7)	
Personnel expenses	(18.8)	(14.3)		(18.2)	
Other opex	(0.7)	(0.3)		(0.8)	
EBITDA	**16.6**	**10.1**	**63.6**	**14.9**	***11.0***
% margin	*18.0*	*15.5*		*17.7*	
D&A	(7.1)	(7.7)		(6.9)	
EBIT	**9.5**	**2.4**	***n.m.***	**8.0**	***17.9***
% margin	*10.3*	*3.7*		*9.5*	
Financials	(0.8)	0.2		(0.5)	
Re/(Devaluation) of financial assets	(0.0)	5.9		0.0	
Forex gain/(loss)	(0.1)	0.5		0.0	
Pre-Tax profit	**8.5**	**9.0**	***(5.4)***	**7.5**	***13.9***
% margin	*9.3*	*13.7*		*8.9*	
Income taxes	(2.5)	(0.7)		(1.7)	
Tax rate	*29.3%*	*8.1%*		*23.0%*	
Minorities	0.1	0.1		0.0	
Net Profit	**6.1**	**8.4**	***(26.5)***	**5.8**	**6.8**
% margin	*6.7*	*12.8*		*6.8*	
EBITDA Adjusted	**16.6**	**10.1**	**63.6**	**14.9**	***11.0***
% margin	*18.0*	*15.5*		*17.7*	
Net Financial Position	**27.6**	**28.2**	***(2.1)***	**25.6**	**7.8**
Net Equity	**50.9**	**45.7**	***11.5***	**49.6**	**2.7**

Source: Company data, CFO SIM estimates

Revenues were € 91.8m, up by 40.4% YoY and 9.2% better than our forecast of € 84.1m. 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 25% YoY.**

Revenues growth was mainly driven by raising volumes, and, to a lesser extent, by price increases. Since the second half of 2021, Labomar strategically increased the stock of raw materials in order to prevent shortages and price hikes. For this reason, in 2022, it was able to gradually increase price lists, mainly in the second part of the year.

Labomar stand-alone totalled € 70.7m, up by 31.5% YoY (CAGR$_{17-22}$ of 11.0%) 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.

EBITDA was € 16.6m, 18.0% margin, compared to € 10.1m, 15.5% margin in 2021. The figure is 11% higher than our projection of € 14.9m. Labomar was able to strongly improve profitability despite the reinforcement of top management and the operating structure. The main drivers were rising volumes, thanks to the recovery of probiotics and cough & cold segments, and, to a lesser extent, price increases in order to pass the increasing costs of raw materials and energy through to customers.

EBIT totalled € 9.5m, 10.3% margin, vs € 2.4m, 3.7% margin in 2021. It is worth remembering that in 2021, EBIT was affected by the write-off of the goodwill on ImportFab (€ 2.2m, or € 1.6m net of the tax effect).

Net Profit came in at € 6.1m, 6.7% margin, compared to € 8.4m, 12.8% margin last year. In 2021, net profit was positively affected by 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.

Net Financial Position declined to € 27.6m from € 28.2m in FY-21. The figure is € 2.0m, or 7.8%, higher than our forecast of € 25.6m. NFP includes the valorisation of the Put & Call option for the acquisition of the minority stakes in ImportFab and Welcare (€ 7.3m) as well as the figurative debt stemming from the right-of-use liabilities in accordance with IFRS16 (€ 4.2m).

At the AGM, the BoD will propose the distribution of € 0.10 dividend per share (unchanged compared to FY-21 and in line with our forecast), corresponding to a pay-out ratio of 30% and a dividend yield of 1.1%.

Table 2 – Labomar, FY 2022-21 Net Working Capital

€ m	2022	2021	% YoY	2022e	% Diff.
Inventories	20.6	13.7	*50.7*	17.4	*18.2*
Receivable	16.7	13.9	*20.0*	17.4	*(4.2)*
Payable	(21.4)	(15.8)	*(35.2)*	(19.2)	*11.5*
Net Working Capital	**15.9**	**11.8**	**35.2**	**15.7**	**1.5**
% on sales	*17.1%*	*17.7%*		*18.5%*	

Source: Company data, CFO SIM estimates

The **Net Working Capital** rose less than proportionately to revenues, reaching € 15.9m (17.1% on sales), and came in broadly in line with our forecast. In detail:

- **Inventories** increased by € 6.9m compared to FY-21 as a result of 1) the consolidation of the companies acquired (for example, Labiotre has a business model that envisages a greater stock of raw materials), 2) a prudent stock of raw materials in order to prevent shortages and price hikes (even if in 2022 raw materials grew less than proportionately to sales volumes) and 3) a significant amount of finished products because of a larger backlog.
- **Receivables** grew by € 2.8m, as a consequence of the consolidation of the companies acquired and the increased revenues.
- **Payables** rose by € 5.6m, due to the contribution of the companies acquired and the effect of the higher stock inventory.

Outlook, Estimates, Valuation & Risks

In 2022, Labomar reported growing results both in terms of revenues and margins. The group benefited from the **recovery of the probiotics and cough & cold segments**, deeply affected by the pandemic in 2021, coupled with its ability to **continuously offer new innovative products** to customers and **take advantage of the Intellectual Properties** developed by the internal R&D department.

Furthermore, in 2022 Labomar focused on **maximising synergies** with the acquired companies, finalising several **cross-selling projects**, mainly with Welcare and ImportFab.

Although the economic environment is still tough at the beginning of 2023, as difficulties in the procurement of some raw materials persist, both in terms of lengthening delivery times and increasing costs, **Labomar is confident about reaching double-digit growth also in FY-23**, outperforming the reference market.

In particular, **in 2023 Labomar plans to** 1) **further increase price lists** in order to not dilute profitability, 2) start the **building of a new logistics hub** (capex of approximately € 13.0m), which, when fully operational, will improve operating efficiency, consequently generating significant savings, 3) **expand the production area dedicated to liquids** (capex of € 6.5m). Furthermore, in the 2024-25 period the group expects to increase the production capacity through the building of the L6 plant, with an overall investment of between € 30m and € 35m.

Following the FY-22 results release, **we have updated our model**, by factoring in 1) **double-digit top line growth in 2023**, in line with the company's outlook, 2) broadly unchanged assumptions with regard to profitability and 3) a redesign of the capex plan for the new L6 plant, including the building of the new logistics hub and the expansions of the production area dedicated to liquids (overall we anticipated € 63.0m of capex in 2023-25, including intangible investments and maintenance capex). The combined result is an average **11.6% and 7.8% increase in revenues and EBITDA in 2023-24 as well as a significant increase in NFP** as a result of the massive capex plan. Moreover, we have introduced projections for 2025.

Table 3 – Labomar, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Revenues	**101.9**	**91.5**	***11.4***	**10.4**
EBITDA	**18.5**	**17.1**	***8.5***	**1.4**
% margin	*18.2*	*18.7*		
EBIT	**9.5**	**9.2**	***2.9***	**0.3**
% margin	*9.3*	*10.1*		
Net Profit	**6.6**	**6.7**	***(1.6)***	**(0.1)**
% margin	*6.5*	*7.3*		
Y/E net debt/(cash)	**38.3**	**21.2**	***80.6***	**17.1**

Source: CFO Sim

Table 4 – Labomar, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Revenues	**110.1**	**98.5**	***11.8***	**11.6**
EBITDA	**21.4**	**20.0**	***7.1***	**1.4**
% margin	*19.4*	*20.3*		
EBIT	**11.3**	**11.7**	***(3.1)***	**(0.4)**
% margin	*10.3*	*11.9*		
Net Profit	**8.0**	**8.6**	***(7.1)***	**(0.6)**
% margin	*7.2*	*8.7*		
Y/E net debt/(cash)	**42.9**	**15.1**	***n.m.***	**27.8**

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 2023. The combined result is a **new DCF-based PT at € 10.00/s** (€ 9.50), 8.1% upside.

The value brought in by the upgrade in estimates was almost entirely absorbed by the sharp increase of the free risk rate since our last valuation update (4.00% compared to 2.46%). Thus, **the limited upside to current prices led us to change our rating to Neutral** (Buy).

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. Furthermore, the **massive capex** plan aimed at enlarging the production capacity and improving the operating efficiency is **a shrewd move to properly take advantage of the expected increase in demand in the medium-term.**

DCF

In our DCF-based valuation, we assess explicit estimates until 2027 and assume a long-term growth rate of 1.5% (previously 1.0%). The increase in the terminal growth rate is due to the expected increasing turnover in the medium-term, sustained by the new L6 plant. 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%
Int. costs, after taxes	**1.2%**
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	4.00%
Beta levered (x)	1.00
Required ROE	**13.0%**

Sources: CFO SIM, Refinitiv 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	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**Term. Val.**
EBIT	9.5	11.3	13.8	18.8	25.4	
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	
Operating profit (NOPAT)	**7.3**	**8.7**	**10.7**	**14.5**	**19.6**	
Change working capital	(2.7)	(1.5)	(1.5)	(0.8)	(0.1)	
Depreciation	9.0	10.1	10.2	7.6	5.0	
Investments	(23.0)	(20.0)	(20.0)	(5.0)	(5.0)	
Free Cash Flows	**(9.4)**	**(2.8)**	**(0.7)**	**16.3**	**19.5**	**292.8**
Present value	(8.8)	(2.4)	(0.6)	12.1	13.4	**201.0**
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	
Long-term growth rate	**1.5%**					

Source: CFO SIM

Table 7 – Labomar, DCF derived from:

€ m	
Total EV present value € m	214.7
of which terminal value	93.6%
Latest reported NFP	(27.6)
Pension provision	(3.0)
Equity value € m	**184.1**
#m shares	18.48
Equity value €/s	**10.00**
% upside/(downside)	*8.1%*

Source: CFO SIM

By applying our DCF model we attained an **equity value of € 184.1m**, which corresponds to **€ 10.00/s (€ 9.50),** 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 **€ 8.80-11.41/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 **€ 9.06-10.99/s (free risk range between 4.75% and 3.25%)** and 3) compared to changes in the risk premium, including the small size premium, it results in an equity value of **€ 8.27-12.18/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	13.7	13.7	13.7	13.7	13.7	13.7	13.7
PV of terminal value	179.6	186.2	193.4	201.0	209.2	218.1	227.8
Total value	**193.3**	**199.9**	**207.1**	**214.7**	**222.9**	**231.8**	**241.4**
Latest reported NFP	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**162.7**	**169.3**	**176.4**	**184.1**	**192.3**	**201.2**	**210.8**
Equity value/share €	**8.80**	**9.16**	**9.55**	**10.00**	**10.40**	**10.89**	**11.41**

Source: CFO SIM

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

€ m	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
Present value of CF	14.1	14.0	13.8	13.7	13.6	13.4	13.3
PV of terminal value	219.6	213.1	206.9	201.0	195.4	190.0	184.8
Total value	**233.7**	**227.1**	**220.7**	**214.7**	**208.9**	**203.4**	**198.1**
Latest reported NFP	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**203.1**	**196.5**	**190.1**	**184.1**	**178.3**	**172.8**	**167.5**
Equity value/share €	**10.99**	**10.63**	**10.29**	**10.00**	**9.65**	**9.35**	**9.06**

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	14.5	14.2	14.0	13.7	13.4	13.2	12.9
PV of terminal value	241.2	226.5	213.1	201.0	190.0	179.9	170.6
Total value	**255.7**	**240.7**	**227.1**	**214.7**	**203.4**	**193.0**	**183.5**
Latest reported NFP	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)	(27.6)
Pension provision	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Equity value	**225.1**	**210.1**	**196.5**	**184.1**	**172.8**	**162.4**	**152.9**
Equity value/share €	**12.18**	**11.37**	**10.63**	**10.00**	**9.35**	**8.79**	**8.27**

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) seven companies operating as Contract Development and Manufacturing Organisations worldwide; and 2) five 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.

Based on CFO SIM's estimates, **Labomar's sales, EBITDA, EBIT 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 $CAGR_{22\text{-}25}$	EBITDA $CAGR_{22\text{-}25}$	EBIT $CAGR_{22\text{-}25}$	EPS $CAGR_{23\text{-}25}$	NFP/ EBITDA FY1
Catalent Inc	US	10,236	4,317	1,118	25.9%	2.9%	7.2%	11.6%	15.3%	3.2
Clover Corporation Ltd	AUS	126	54	7	12.4%	11.9%	11.0%	11.5%	35.6%	0.1
Fine Foods & Pharmaceuticals NTM SpA	IT	183	236	26	11.1%	11.7%	40.4%	n.a.	n.a.	1.2
Jubilant Pharmova Ltd	IND	517	709	100	14.1%	2.9%	0.8%	2.8%	43.8%	n.a.
Lonza Group AG	CH	40,541	6,794	2,085	30.7%	11.0%	13.3%	14.4%	22.6%	0.7
Probi AB	SWE	177	58	16	27.8%	5.4%	12.9%	29.7%	6.0%	n.m.
Siegfried Holding AG	CH	2,960	1,280	269	21.0%	5.7%	0.4%	-2.1%	10.0%	1.4
Median CDMO		**517**	**709**	**100**	**21.0%**	**5.7%**	**11.0%**	**11.5%**	**18.9%**	**1.2**
Biesse SpA	IT	398	812	81	9.9%	-0.3%	n.a.	n.a.	10.0%	n.m.
Brembo SpA	IT	4,607	3,866	666	17.2%	6.6%	8.9%	12.1%	13.0%	0.6
Eurotech SpA	IT	109	110	13	11.8%	n.a.	n.a.	n.a.	n.a.	0.5
Interpump Group SpA	IT	5,457	2,198	526	23.9%	4.6%	5.8%	5.7%	6.0%	0.7
Lu-Ve SpA	IT	702	610	76	12.5%	4.4%	7.7%	10.5%	-3.2%	0.1
Median Domestic B2B		**702**	**812**	**81**	**12.5%**	**4.5%**	**7.7%**	**10.5%**	**8.0%**	**0.5**
Labomar SpA	**IT**	**170**	**103**	**19**	**18.0%**	**8.9%**	**13.2%**	**13.5%**	**22.5%**	**2.1**

Sources: CFO SIM, Refinitiv Eikon

Table 12 – Labomar, peer group EV multiple table

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Catalent Inc	3.19	2.93	2.63	12.3	11.0	9.6
Clover Corporation Ltd	2.35	1.97	1.70	18.9	13.4	10.2
Fine Foods & Pharmaceuticals NTM SpA	0.91	0.70	0.59	8.2	5.5	4.2
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lonza Group AG	6.18	5.57	4.93	20.1	16.9	14.6
Probi AB	2.48	2.21	1.93	8.9	8.3	7.1
Siegfried Holding AG	2.60	2.36	2.21	12.4	10.9	9.9
Median CDMO	**2.54**	**2.29**	**2.07**	**12.3**	**11.0**	**9.8**
Biesse SpA	0.37	0.36	0.34	3.7	3.5	3.1
Brembo SpA	1.29	1.18	1.03	7.5	6.7	5.8
Eurotech SpA	1.05	0.76	n.a.	8.9	4.2	n.a.
Interpump Group SpA	2.65	2.47	2.29	11.1	10.4	9.5
Lu-Ve SpA	1.17	1.02	0.96	9.3	8.0	7.2
Median Domestic B2B	**1.17**	**1.02**	**1.00**	**8.9**	**6.7**	**6.5**
Labomar SpA	**2.02**	**1.91**	**1.80**	**11.3**	**10.0**	**9.0**
% premium/(discount) to CDMO	*(20.4)*	*(16.3)*	*(13.1)*	*(8.8)*	*(9.0)*	*(7.9)*
% premium/(discount) to Domestic B2B	*73.5*	*86.9*	*80.5*	*26.3*	*49.5*	*38.5*

Sources: CFO SIM, Refinitiv Eikon

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

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Catalent Inc	16.9	14.6	12.5	19.8	17.4	14.9
Clover Corporation Ltd	20.5	14.3	10.7	30.5	21.4	16.6
Fine Foods & Pharmaceuticals NTM SpA	19.5	10.7	n.a.	21.5	13.5	n.a.
Jubilant Pharmova Ltd	n.a.	n.a.	n.a.	17.1	9.2	8.3
Lonza Group AG	29.6	24.2	20.3	36.1	28.8	24.0
Probi AB	17.1	15.7	12.7	17.5	17.2	15.6
Siegfried Holding AG	18.1	16.1	14.4	20.9	18.8	17.3
Median CDMO	**18.8**	**15.2**	**12.7**	**20.9**	**17.4**	**16.1**
Biesse SpA	6.7	6.2	5.3	14.9	14.3	12.3
Brembo SpA	11.9	10.3	8.8	14.6	13.2	11.5
Eurotech SpA	15.5	5.5	n.a.	15.4	7.1	n.a.
Interpump Group SpA	13.8	13.0	12.0	18.8	17.9	16.8
Lu-Ve SpA	17.5	13.5	11.8	16.1	20.4	17.1
Median Domestic B2B	**13.8**	**10.3**	**10.3**	**15.4**	**14.3**	**14.5**
Labomar SpA	**22.0**	**18.8**	**15.6**	**25.9**	**21.4**	**17.2**
% premium/(discount) to CDMO	*17.1*	*24.1*	*23.1*	*23.4*	*22.5*	*7.1*
% premium/(discount) to Domestic B2B	*59.0*	*82.0*	*51.6*	*67.4*	*49.0*	*18.4*

Sources: CFO SIM, Refinitiv Eikon

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**, +54.2% since the IPO. The stock reached a 1Y intraday maximum price of € 9.88/s on 6-Apr-22 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	(1.1)	(5.6)	(8.2)	37.0	(22.0)	38.3	(45.1)
Clover Corporation Ltd	1.2	-	(3.6)	(0.4)	(3.9)	(1.6)	(7.9)
Fine Foods & Pharmaceuticals NTM SpA	(0.1)	0.2	(1.5)	(0.1)	4.1	(0.2)	(6.5)
Jubilant Pharmova Ltd	4.4	3.6	(4.4)	(19.9)	(11.3)	(22.3)	(29.2)
Lonza Group AG	(0.1)	1.9	(1.5)	18.0	6.6	20.1	(19.6)
Probi AB	3.8	(1.1)	(3.8)	(13.9)	(27.7)	(13.7)	(52.1)
Siegfried Holding AG	(0.2)	3.8	1.1	4.8	(3.3)	7.9	(16.1)
Median CDMO	**(0.1)**	**0.2**	**(3.6)**	**(0.1)**	**(3.9)**	**(0.2)**	**(19.6)**
Biesse SpA	(0.3)	0.4	(13.7)	12.0	20.1	15.1	(10.6)
Brembo SpA	1.2	7.0	(0.9)	30.0	53.5	32.7	37.7
Eurotech SpA	(2.2)	3.9	(6.7)	6.4	6.3	8.1	(16.2)
Interpump Group SpA	(1.0)	1.9	(3.6)	15.4	40.3	19.5	14.2
Lu-Ve SpA	0.2	3.1	5.7	13.2	45.3	12.8	59.5
Median Domestic B2B	**(0.3)**	**3.1**	**(3.6)**	**13.2**	**40.3**	**15.1**	**14.2**
Labomar SpA	**3.4**	**3.5**	**15.9**	**5.1**	**15.6**	**3.0**	**(5.0)**
MSCI World Index	(0.2)	3.4	2.6	7.5	11.3	7.5	(9.2)
EUROSTOXX	0.0	3.2	(0.6)	8.9	19.4	11.3	3.9
FTSE Italia All Share	(0.5)	2.7	(2.6)	10.3	23.9	13.6	6.4
FTSE Italia STAR	(0.3)	1.9	(2.1)	4.4	13.1	5.9	(10.8)
FTSE Italia Growth	0.3	1.0	(0.4)	0.6	5.0	1.9	(10.1)

Source: Refinitiv Eikon

Table 15 – Labomar, relative performances

	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	3.6	0.1	13.3	(2.4)	4.3	(4.5)	4.2
to EUROSTOXX	3.3	0.2	16.5	(3.8)	(3.8)	(8.3)	(8.9)
to FTSE Italia All Share	3.9	0.8	18.5	(5.2)	(8.3)	(10.6)	(11.5)
to FTSE Italia STAR	3.6	1.6	18.0	0.7	2.5	(2.9)	5.7
to FTSE Italia Growth	3.0	2.5	16.4	4.5	10.6	1.1	5.1
to CDMO Peer Median	3.5	3.2	19.5	5.2	19.6	3.2	14.6
to Domestic B2B Median	3.7	0.4	19.5	(8.1)	(24.7)	(12.1)	(19.2)

Source: Refinitiv Eikon

Risks

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

- 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
05/04/2023	€10.00	NEUTRAL
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

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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;
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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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