

LABIANA

19 Dec. 22 (06:00) ⁽¹⁾

HEALTHCARE / Spain

A new horse

Despite ST risks, industry tailwinds and pipeline execution should accelerate growth, margins and CF generation

An integrated healthcare player: Labiana develops, manufactures and commercializes medicines in animal and human health industries, with >300 products in >150 countries. Revenues posted a 10.6% CAGR, since the 2013 MBO, and should expand at 14%/annum until 2026^F, including 10% in CDMO and 19% in product commercialization, levered on the new product pipeline.

Favourable industry backdrop: the **veterinary business** (56% of total sales) should be helped namely by i) structural growth trends in an industry with limited innovation and competitive intensity due to a high fragmentation (in which larger companies are taking share to local producers, helped by regulatory tailwinds); ii) the growing use of injectable products (in which Labiana is leader in production). The **human business** (44%) should benefit namely from by a rising Fosfomycin (antibiotic for lower urinary tract infections for which Labiana has a generic product) internationalization, leveraging on its interesting competitive profile.

Profitability tailwinds: margins should rise 225bps in 2020-26^F thanks namely to operating leverage (despite inflationary pressures and higher Fosfomycin US competition). We see a 19% adj. EBITDA CAGR '21-26^F and a c€5mn FCFE '26^F (19% yield). ND/EBITDA should reach 1.6x by 2026^F (<3.0x target) vs. 4.5x by 2022^F, opening some room for bolt-on M&A.

We set a €5.30-€10.30 YE23 valuation range based on different business plan completion levels (margins' expansion and pipeline success), with an indicative €7.50 DCF-based central scenario. We have also included several market based approaches. EV/EBITDA '23^F is -50% vs. peers. Whilst Labiana higher growth outlook would justify a premium, its lower margins, smaller size and reduced liquidity could back a discount. M&A, pipeline developments, competition newsflow and margin expansion datapoints are key triggers.

Estimates	2019	2020	2021	2022 ^F	2023 ^F	2024 ^F	2025 ^F
Sales (€ mn)	48	58	57	61	75	86	98
EBITDA (€ mn)	5	8	7	8	10	12	15
Margin (%)	9.5%	13.4%	12.6%	12.7%	13.6%	14.2%	14.9%
NP (€ mn)	1	1	-2	-1	2	4	6
EPS (€)	n.a.	n.a.	n.a.	0.05	0.28	0.52	0.83
DPS (€)	n.a.	n.a.	n.a.	n.a.	0.00	0.00	0.00
Capex (€ mn)	6	7	5	5	5	5	5
Adj. FCF (€ mn)	0	-1	-1	5	1	4	5
Net Debt (€ mn)	34	38	42	35	36	35	33
Net Debt/EBITDA	7.5	4.9	5.9	4.5	3.6	2.9	2.2

Source: Company, CaixaBank BPI Equity Research (F)



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Price Range €5.30-10.30

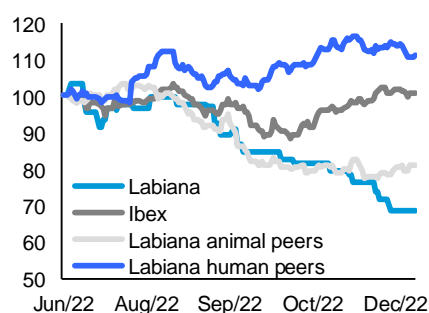
Company Profile

Reuters/Bloomberg	LAB.MC/LAB SM
Close Price at 13-Dec	€ 3.04
52-Week range	€ 3.16 - 4.75
Market Cap (€ mn)	22
Shares Out (mn)	7.2
ADV (€ mn)	0.2
Free Float	20%

Market Multiples	2022 ^F	2023 ^F	2024 ^F
PE	66.9	11.0	5.9
EV/Sales	1.0	0.8	0.7
EV/EBITDA	7.6	5.8	4.8
EV/EBIT	21.2	11.4	8.2
DY	n.a.	n.a.	n.a.
FCFE Yield (%)	9.3%	-6.4%	4.7%
FCFF Yield (%)	8.2%	2.2%	6.0%
PBV	1.3	1.2	1.0

Source: Bloomberg, CaixaBank BPI ER

Labiana vs. IBEX



Source: Bloomberg

(1) Time of the conclusion of the analysis, issue of recommendation and publication.

ESG Risk Exposure

1.9

1-2 Low	2-3 Medium	3-4 High	4-5 Very High
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