Equity

Sponsored Company Report

LABIANA

HEALTHCARE / Spain

13 Nov. 23 (06:00) (1)

Dealing with headwinds

Debt refinancing addressed, challenging backdrop should progressively normalize

Refinancing weighs down liquidity concerns: Labiana has recently agreed with Miralta Finance Bank/Blantyre Capital a up to €25mn 4Y financing (including warrants for c31% of the current share capital), o.w. €20mn already disbursed (remaining €5mn based on future R&D/investment). Whilst Labiana's leverage remains relatively high (5.8x ND/EBITDA LTM), this deal addressed most of the company's short term refinancing needs and should support immediate growth plans. In any case, Labiana remains seeking for an opportunity to raise an additional €5-10mn in equity.

Recovering from headwinds…: 2022 and 1H23 performance has been full of headwinds (lack of filters for injectables, some disruption with the transposition to Spain of the new regulation on veterinary medicines, increased fosfomycin US competition, stopped commercial activity in some regions due to several reasons, order deferrals). Nevertheless, most of these effects have already been overcome with an earnings recovery anticipated already for 2H23, and mid term fundamentals remaining sustained.

…but delayed earnings delivery: the tougher industry context and the delays in product launches turn the previous 2026 targets (>€120mn of revenues, c€22mn EBITDA, <3x ND/EBITDA) challenging, with Labiana now working on a business plan revision. We have assumed a more conservative growth stance, cutting our EBITDA'23^F-26^F on 42% (average).

YE24 valuation range set at €2.60-7.70 based on several approaches, with an indicative €4.20 DCF (-52% revision ex-roll forward on a delayed earnings execution and increased WACC, following the recent refinancing deal and deteriorated B/S situation). Share price still fails to reflect the successful refinancing and sustained industry position, backing solid mid-term earnings prospects. A new business plan disclosure would be a key catalyst ahead.

Estimates	2020	2021	2022	2023^F	2024^F	2025^F	2026^F
Sales (€ mn)	58	57	58	58	61	70	80
EBITDA (€ mn)	8	7	7	4	6	10	12
Margin (%)	13.4%	12.7%	12.1%	6.9%	10.5%	13.7%	15.6%
NP (€ mn)	1	-2	-9	-3	-1	2	4
EPS (€)	n.a.	n.a.	-0.74	-0.38	-0.13	0.26	0.61
DPS (€)	n.a.	n.a.	n.a.	0.00	0.00	0.00	0.00
Capex (€ mn)	7	5	5	4	4	4	4
Adj. FCF (€ mn)	-1	-1	4	2	4	3	4
Net Debt (€ mn)	38	42	36	37	35	35	33
Net Debt/EBITDA	4.9	5.8	5.1	9.2	5.5	3.6	2.6

Source: Company, CaixaBank BPI Equity Research (F)

Guilherme Macedo Sampaio, CFA
guilherme.macedo.sampaio@caixabank.com
Phone 34 619 06 4497

Price Range €2.60-7.70

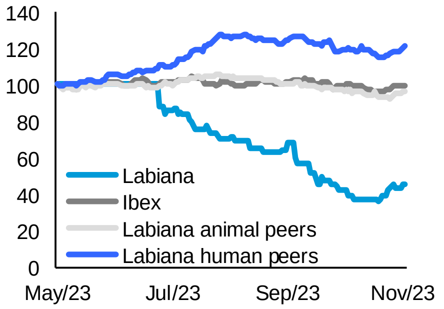
Previous *€5.30-10.30*

Company Profile	
Reuters/Bloomberg	LAB.MC/LAB SM
Close Price at 09-Nov	€ 1.19
52-Week range	€ 1.08 - 3.66
Market Cap (€ mn)	9
Shares Out (mn)	7.2
ADV (€ mn)	0.01
Free Float	20%

Market Multiples	2023^F	2024^F	2025^F
PE	n.s.	n.s.	4.5
EV/Sales	0.8	0.7	0.7
EV/EBITDA	11.4	7.1	4.8
EV/EBIT	n.s.	31.3	9.9
DY	n.a.	n.a.	n.a.
FCFE Yield (%)	-10.2%	21.9%	11.5%
FCFF Yield (%)	4.4%	9.0%	6.8%
PBV	1.8	2.3	1.6

Source: Bloomberg, CaixaBank BPI ER

Labiana vs. IBEX



Source: Bloomberg

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

This research report is part of a remunerated service agreement with the issuer.

ESG Risk Exposure

1.9

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

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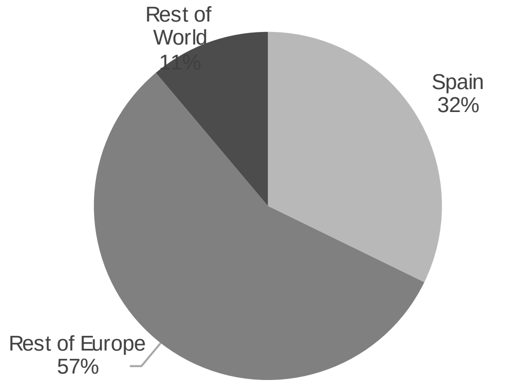
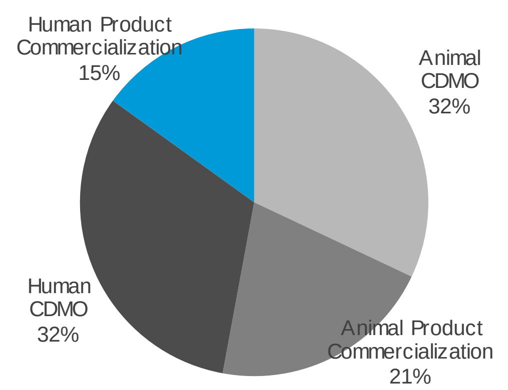
Labiana at a Glance

Labiana develops, manufactures and commercializes medicines in the areas of animal and human health. The company owns 6 production facilities, with a global sales footprint of >150 countries and an international and diversified customer base of >300 companies. Founded in 1958 (and listed in 2022), Labiana presently counts with more than 430 employees and ended 2022 with revenues of €58mn.

FY22 revenues breakdown by geography (€58mn)



FY22 revenues breakdown by business (€58mn)



Product Pipeline

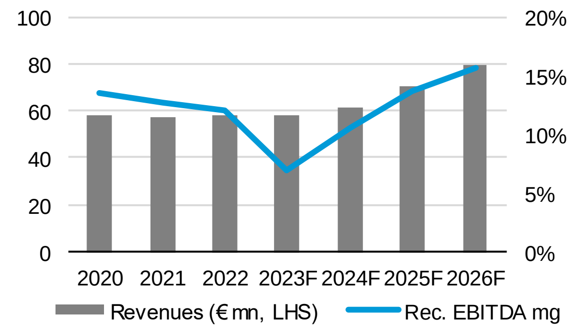
Animal

Project	1st MA	Product	Pk Sales (€ mn)
Labiprofen	2021	Antiinflamatory	2.8
Buprelab	2021	Pain control	0.4
Project 1	2022	Antibiotic	0.8
Project 2	2022	Antibiotic long acting	3.4
Project 3	2022	Antibiotic	0.8
Project 4	2023	Viral disease	0.5
Project 5	2023	Antiinflamatory	0.5
Project 6	2025+	Pig viral disease	0.3
Project 7	2025+	Poultry viral disease	0.5
Project 8	2027+	Pain control	3.5
Project 9	2026	Antibiotic	3.0
Project 10	2026	Antiinflamatory	3.6

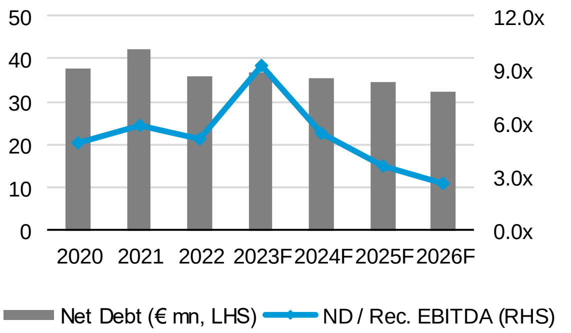
Human

Project	1st MA	Product	Pk Sales (€ mn)
Project 11	2022	Infections prevention	1.2
Project 12	2025/6	Antidiabetics	4.4
Project 13	2024/5	Erectile dysfunction	1.4
Project 14	2024/5	Hormones	1.6

Operating evolution



Financial leverage evolution



Source: Labiana, CaixaBank BPI Equity Reseach

Consensus and Stock Momentum

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CaixaBank BPI Equity Research Forecasts

€ mn	2020	2021	2022	2023F	2024F	2025F	2026F
Revenues	**58**	**57**	**58**	**58**	**61**	**70**	**80**
Animal CDMO	17	17	19	19	19	21	23
Animal Product Commercializ	13	15	12	9	12	16	20
Human CDMO	21	16	19	19	19	21	22
Human Product Commercializ	8	9	9	11	11	13	15
EBITDA adj.	**8**	**7**	**7**	**4**	**6**	**10**	**12**
margin	13.4%	12.7%	12.1%	6.9%	10.5%	13.7%	15.6%
Net Profit	1	-2	-9	-3	-1	2	4
Net Debt	38	42	36	37	35	35	33
Revenue growth	20%	-2%	2%	1%	5%	14%	14%
EBITDA growth	91%	36%	25%	51%	68%	52%	32%
Net Profit growth	64%	-265%	n.s.	n.s.	n.s.	n.s.	146%
Net Debt/EBITDA	**4.9x**	**5.8x**	**5.1x**	**9.2x**	**5.5x**	**3.6x**	**2.6x**
ROCE (after tax)	3.7%	0.9%	-9.4%	-2.1%	2.5%	8.6%	13.7%

DCF Assumptions	
	Consolidated
Re	12.6%
Rf	2.90%
CRP	1.6%
Beta Equity	1.4
Mkt Premium	6.0%
Rd	7.9%
Tax rate	25%
D/EV	40%
WACC	**9.9%**
g	2.0%

Source: Company, CaixaBank BPI Equity Research

ESG risk profile

Healthcare companies bear a lower ESG risk than average under our assessment. Social issues are the key risks for the industry.

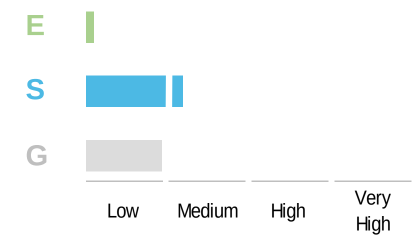
LAB has a risk rating in line with the industry average. Performance in most areas aligned with peers despite more limited disclosure. Better than the industry namely in ethical marketing/business. Further BoD diversification would be welcomed.

Key items to monitor related to manufacturing compliance and industry regulation, namely regarding antibiotics use.

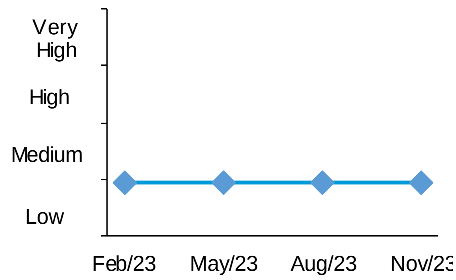
1.9

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

ESG risk semaphore



Historical Evolution



Performing metrics	2020	2021	2022	Peers avg	Worst peer	Best peer
Environmental						
GHG scope1 / sales (ton / € mn)	n.a.	19	22	9	16	6
Energy intensity (MWh / € mn)	n.a.	n.a.	n.a.	79	147	45
Social						
% Women in workforce	58%	55%	54%	56%	-	-
Training hours / employee	0	20	14	64	15	197
Governance						
% Independent Directors	n.a.	33%	33%	50%	42%	67%
% Women in the Board	n.a.	17%	17%	37%	33%	43%

Source: Bloomberg, CaixaBank BPI Equity Research

ESG material issues

	Weight	Score vs. peers	Comment
S	**Access & Affordability**		
	18%	=	• Focus on increasing presence in less developed markets. • No settlement payments to delay market entrance of generics competition. Few details on list/ net prices evolution. No exposure to the US, where the price scrutiny risks are superior, with the transparency issue more on the spotlight due to the lower regulation levels vs. Europe.
S	**Product Responsibility**		
	18%	=	• Relevant reliance on antibiotics (c20% of sales), generally facing use restrictions in certain countries due to the risks of transfer of increased antibiotic resistance in bacteria from food-producing animals to human pathogens, but significant presence in injectables, promoting an improved treatment administration to animals. Some lots of two products recalled over the past five years due to packaging defects (representing <1% of sales). No regulatory action has been taken in response to non-compliance with Good Manufacturing Practices.
S	**Labelling and Selling Practices**		
	13%	=	• Off-label promotion is generally restricted. No monetary losses associated with false marketing claims.
G	**Ethics**		
	13%	=	• No monetary losses associated legal proceedings involving corruption and bribery. Code of Ethics regulating selling practices covering principles of i) austerity and integrity; ii) gifts, favours and hospitality; iii) anticorruption and bribery; iv) conflicts of interests.
S	**Human Rights & Community Relations**		
	11%	=	• Clinical trials' outsourced functions remuneration is pre-approved and based on variables such as timing. No actions as result of regulatory authorities inspections.
E	**Supply Chain**		
	9%	=	• Own facilities subject to internal and external auditing (including from clients and regulatory agents). Suppliers' internal (and often external) assessment involving ESG criteria.
G	**Board, Payment Schemes & Ownership**		
	9%	-	• Separation of CEO and Chairman would be welcomed. Variable compensations not linked to sustainability goals, but effort to improve it. <50% of board members independent. Several members with expertise (academic and/or professional) in the healthcare area..
G	**Reporting and Focus on Sustainability**		
	9%	=	• Identification of most relevant factors, but limited specific targets and/or performance metrics.

Source: Bloomberg, CaixaBank BPI Equity Research.

SHORT-TERM EARNINGS OVERVIEW

A 2022 full of headwinds…

2022 topline performance was impacted by a weak delivery in the product commercialization area, reflecting several headwinds, including:

- shortage of sterilization filters (an essential component in the manufacture of injectables), which has led to a slowdown in sales or delays in product launches (eg. Labimycin was launched only in November);
- some initial disruption following the transposition to Spain of the new regulation on veterinary medicines (EU regulation 2019/6), according to Labiana, due to the increased bureaucratic work for physicians (requirement to communicate all veterinary prescriptions to administration if possible by electronic means).
- the entry of new competitors in the US market for fosfomycin (c70% of Labiana's total royalties with the product in 2021), driving a c40% price decline, that was only partially balanced by higher sales in the domestic market (with a lower EBITDA flow through).

On the opex front, the energy crisis which has affected production costs (transport, raw materials, energy) together with the fear of supply shortages, has led to exceptional increases in raw material prices which have affected the operating result for the year.

These effects were partially contained by some energy hedging activity (contracts signed along with 15 blue-chip laboratories in force until March 2024), as well as the partial pass-through (with some lag) of the increased transportation and raw material costs to CDMO clients.

Prolonging into 1H23…

1H23 topline performance reflected already a normalization in sterilization filters backdrop, a full recovery of the situation Spain (+12% yoy growth in livestock sales) and improved fosfomycin volumes in the US and Spain (capacity disruption in one US competitor and new agreement with Cinfa in Spain). Yet, it was also affected by i) the consequences of the impact of the situation politics in Algeria and Iran that have paralyzed the commercial activity of the company in both countries; ii) the decrease in Chile's billing due to a temporary bureaucratic problem of the distributor; iii) lower sales in Serbia as the subsidiary has prioritized debt payments vs. new orders; iv) some orders' deferral in fosfomycin (Canada) and human CDMO areas. We believe these effects have affected 10-15% of Labiana's consolidated sales.

Recent earnings evolution

	1H21	2H21	FY21	1H22	2H22	FY22	1H23
Revenues	**29.4**	**27.5**	**57.0**	**29.1**	**28.8**	**57.8**	**28.5**
∆ yoy				-1.3%	4.6%	1.6%	-2.1%
CDMO	**18.1**	**14.9**	**33.0**	**18.5**	**18.6**	**37.1**	**18.1**
∆ yoy				2.2%	24.9%	12.4%	-2.3%
Animal	8.8	8.3	17.1	8.9	9.6	18.5	8.9
∆ yoy				0.8%	16.5%	8.4%	0.0%
Human	9.2	6.6	15.9	9.6	9.0	18.5	9.1
∆ yoy				3.5%	35.3%	16.8%	-4.4%
Product Commercialization	**11.4**	**12.6**	**24.0**	**10.6**	**10.2**	**20.8**	**10.4**
∆ yoy				-6.9%	-19.2%	-13.4%	-1.7%
Animal	7.7	7.2	14.9	5.8	6.3	12.1	5.0
∆ yoy				-25.0%	-12.4%	-18.9%	-14.3%
Human	3.7	5.4	9.1	4.8	3.9	8.7	5.5
∆ yoy				31.5%	-28.2%	-4.3%	13.4%

Source: Labiana

...but recovering from 2H23

Nevertheless, some of these effects were overcome throughout the year, with i) the temporary bureaucratic problem of the distributor in Chile already solved; ii) fosfomycin (Canada) and human CDMO benefiting from the order deferrals from 1H23. On top of this, fosfomycin sales continue backed by the capacity disruptions faced by an US competitor along with the progressive ramp up in other markets (eg. France, Spain, Netherlands). New fosfomycin competition in the US (either with the resolution of the ongoing disruption issues or the entrance of new players) is a risk to monitor.

B/S situation still difficult

Despite the depressed EBITDA, the €5mn rights issue led to a leverage improvement in 2022 (5.1x ND/EBITDA vs. 5.8x by YE21). A favourable working capital evolution supported some improvement in net debt in 1H23, but the weak EBITDA delivery drove a ND/EBITDA deterioration to 5.8x LTM.

Refinancing agreement a major milestone

Labiana has recently agreed with Miralta Finance Bank/Blantyre Capital a up to €25mn 4Y financing, o.w. €20mn already disbursed (remaining €5mn based on future R&D/capex). This deal has an interest rate attached (Euribor+5%) somewhat above the company's current cost of debt (5.9%, including a 2.1% average spread on variable debt), but addressed most of the company's short term refinancing needs and should support immediate growth plans. Potential dilution is relevant (up to 2.3mn warrants attached, correspondent to 31% of the share capital), albeit at a relatively high exercise price (€3.90/sh). In any case, Labiana remains seeking for an opportunity to raise an additional €5-10mn in equity.

Labiana debt maturities post refinancing (€ mn)

	2023	2024	2025	2026	2027	2028
Debt maturities	5.7	1.8	7.2	1.4	0.0	28.2

Source: Labiana.

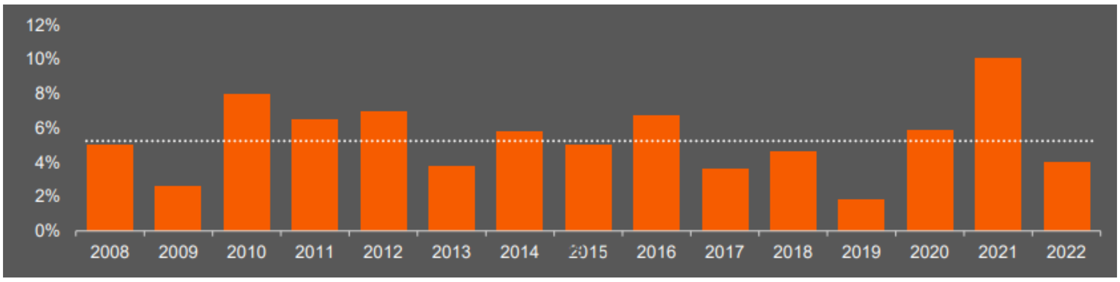
SUSTAINED MID-TERM OUTLOOK

Animal and human health industries with secular growth trends
Population growth, increasing life expectancy and R&D advances should be the main supporters of both the animal and human healthcare industries. Yet, despite certain operating synergies, animal and human healthcare have different macro dynamics.

Veterinary business (53% of FY22 sales)

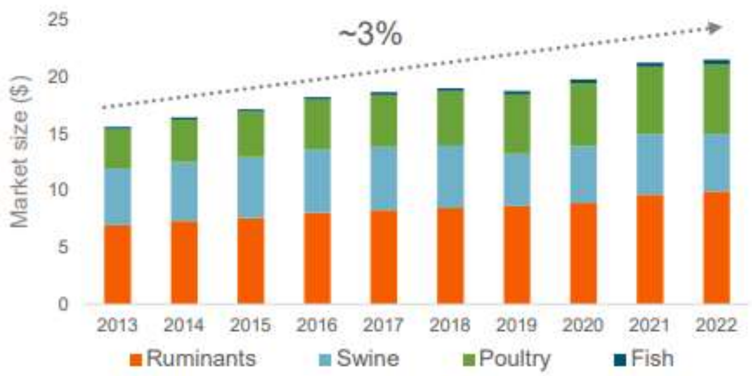
Structural growth in protein consumption…
The animal healthcare industry has grown at a 5% CAGR’08-22, reaching USD45bn at global level in 2022. According to Vetnosis/Zoetis, livestock delivered a 3% CAGR’13-22. Going forward, growth levels should be generally maintained, benefiting from rising living standards and purchasing power along with an increasing health awareness, fostering higher quality protein-base diets. This should lead to larger livestock production and higher spending on pharmaceutical products caused by the need to find more cost-efficient protein production processes to optimize volumes. Livestock has a c€20bn global market, with growth correlated namely to population and household income growth.

Global animal health market growth



Source: Vetnosis. Note: excludes diagnostics, genetic tests, biodevices and precision animal health, excludes FX.

Livestock health market growth (USD bn)



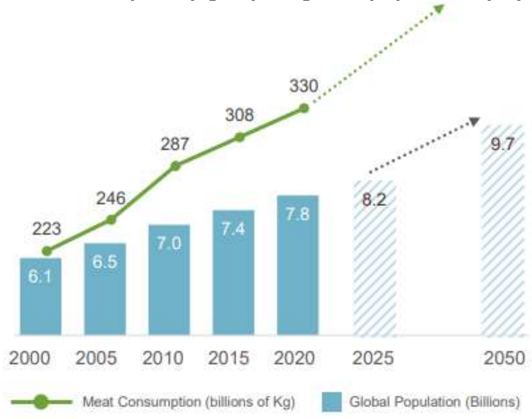
Source: Vetnosis for ruminants, swine and poultry; Zoetis internal estimates for fish.

…not without risks
Environmental issues regarding meat consumption remain long term risks to this positive trend, with a certain change in alimentary habits towards lower-protein diets and red meat ingestion, in particular, proposed in more developed countries on concerns over potential climate-change effects. Short term effects have been in any case relatively contained and more than offset at a global level by rising consumption standards in the emerging world as purchasing power increases. Indeed, in emerging markets, the high importance of the livestock segment for the economy (in certain cases representing

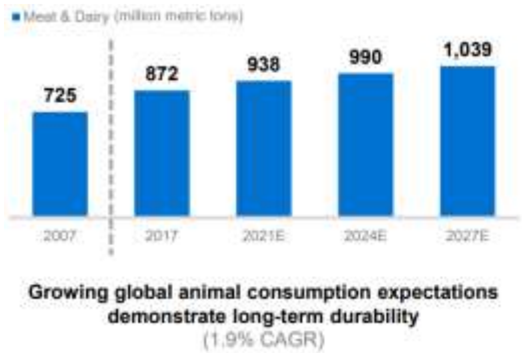
c70% of total income, according to Labiana) translates into outstanding needs for pharmaceutical products (including antibiotics).

Protein consumption trends

Meat consumption (kg bn) vs. global population (bn)



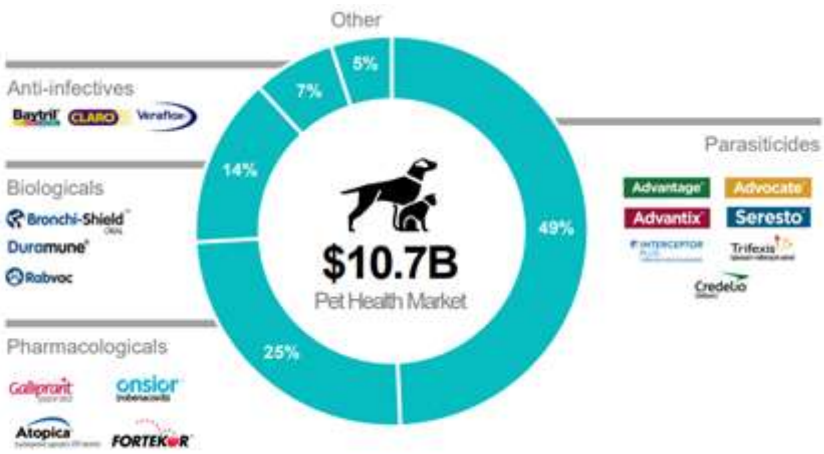
Global Animal Protein Consumption



Source: Zoetis, Elanco.

Steadily increasing pet ownership drives addition demand
In parallel, there is a global trend of rising pet ownership (+66% over the past decade, according to Labiana), which has been benefiting animals life expectancy and supporting increasing health expenditure on this area ("Pet humanization" leads to increased spending on companion animals' health). This subsegment is smaller in size than the livestock market (€11bn globally, according to Labiana, citing Fortune Business Insights data) and should continue growing at mid single-digit over the coming years, according to Labiana, fostered by these favourable market trends. Whilst the pet healthcare industry is currently larger in developed markets, emerging markets have been posting faster growth on pet ownership, departing from lower bases.

Global Pet Health Market breakdown (USD10.7bn)



Source: Elanco.

Regulatory tailwinds on livestock treatment
EU regulation has been generally supportive of a restriction of massive and less targeted treatments (especially antibiotics indiscriminately administered) in farm animals, in favour of individualized and specific drugs offering (namely injectables, administered individually and more expensive).

In specific, **the EU regulation 2019/6**, commonly known as the new veterinary regulation, transposed and applied to all EU Member States from 28 January 2022, intended to: i) harmonise the internal EU market for veterinary medicinal products; ii) reduce the administrative burden on companies and regulatory authorities; iii) enhance the availability of veterinary medicinal products; iv) stimulate innovation of new and existing medicines; v) strengthen the EU response to fight antimicrobial resistance. In particular, the regulation restricted the use of antibiotics for prophylaxis except in very justified individual cases, so that one must justify any prescription of antibiotics in metaphylaxis (treatment of a group of animals without evidence of disease, which are in close contact with other animals that do have evidence of infectious disease) and prophylaxis (prevention) with the aim of treating only the sick animal and with the appropriate treatment for its specific disease.

That said, some concerns have been emerging on the use of antibiotics in general (regardless of the route of administration), due to the potential transfer of increased antibiotic resistance in bacteria from food-producing animals to human pathogens. In some countries, this issue has led to government restrictions and bans on the use of specific antibiotics in some food-producing animals. In parallel, regulatory surveillance (namely through Good Manufacturing Practices compliance requirements and production certification) in the interest of public health has been intensifying, raising barriers to entry. Finally, there has been a positive trend towards more efficient process for registration of new products (currently taking c2 years for generics on the animal space, depending on the countries).

Emerging markets have currently a greater emphasis on disease treatments (as opposed to increasing prevention in developed markets), but a progressive convergence of paradigms, together with a growing requirement to report diseases, should support greater demand for vaccines. Government vaccination initiatives (i.e. China) are additional tailwinds on this front.

Labiana well positioned to benefit from industry tailwinds
The rising livestock production, pet ownership and spending on pharmaceutical products create an opportunity to foster growth within the animal division, both in terms of new products commercialization and manufacturing for third parties. Generically, **sales volumes** should benefit also from the regulatory pressures to improve production quality, increasing barriers to entry and pushing smaller local players out of the market. **Geographically,** the relevant international footprint of the company, helped namely by the acquisitions in Serbia (Zavod) and Turkey (Zoleant), is a competitive advantage to tackle the higher growth coming from emerging markets.

In product terms, the company's special focus on pharmacological injectables (namely in the CDMO area) and biologicals (reinforced by the acquisition of Zavod) support a privileged position to profit from the restrictions of massive and less targeted treatments in farm animals, in favour of individualized and specific drugs offering (namely injectables, administered individually), as well as ongoing public vaccination campaigns. The higher profitability of these products (both on manufacturing and commercialization) should back margin tailwinds. In any case, the ongoing pressure over the whole antibiotics class is a source of risk (with likely limited implications over the short term considering the lack of treatment alternatives). On the pets side, the efforts to boost growth through internal R&D and third party solutions should allow the company to benefit from a relatively untapped market opportunity.

In specific, business expansion should come in the **veterinary business** from:

- the addition of new **CDMO** product references (helped by a strong focus in outperforming injectable products and possibly by the biologicals manufacturing capabilities offered by Zavod's integration, if the company is able to overcome a certain reluctance of larger players to outsource the production of this type of products) and volumes (potentially helped by production shifts from the previous manufacturing partners of Zoleant);

- growing **product commercialization** revenues on new clients and markets, additional products launch and pets division ramp up. At this stage, pipeline in this area includes 12 projects for products (including namely vaccines and generics, o.w. 5 have already initiated the launching phase) expected to enter the market until 2027/8, the majority already under registration phase. Over 90% of the products are injectables. Overall, Labiana expects to achieve €20mn peak sales with these products. Out of this amount, €15mn should be obtained through generic products, a minimum of €1.3mn through vaccines (already contracted income) and €3.5mn through an innovative product. In general terms, the company's focus is on improving treatment convenience (either through a more attractive format on increased concentration), offering lower prices (in case of generics).

Labiana product pipeline in the animal area (€ mn)

Project	Indication	Type of product	Development stage	First MA expected	Peak sales expected
Labiprofen	Antiinflamatory	First Generic	Launched	2021	2.8
Buprelab	Pain Control	Generic	Launched	2021	0.4
Labimycin	Antibiotic long acting	First Generic	Launched	2022	3.4
Tilolab	Antibiotic	Generic	Launched	2022	0.8
Tolfelab	Antiinflamatory	Generic	Launched	2023	0.5
Project 4	Viral disease	Vaccine (*)	Approved (conditional)	2023	0.5
Project 1	Antibiotic	Generic	Approved	1Q24	0.8
Project 6	Pig viral disease	Vaccine (*)	Under registration	2025+	0.3
Project 7	Poultry viral disease	Vaccine (*)	Under registration	2025+	0.5
Project 8	Pain control	Innovator	Under development	2027+	3.5
Project 9	Antibiotic	First Generic	Under development	2026	3.0
Project 10	Antiinflamatory	First Generic with added value	Under development	2026	3.6
Total					**20.0**

Note: MA=Market Authorization. (*) These vaccines are mandatory due to their risk to humans (zoonotic diseases). Current peak sales reflect the volume required by the Serbian Government, however, additional sales in other countries are also possible but subject to tenders. Source: Labiana

Among the recent launches, Labiprofen has been showing a particularly good performance, exceeding the expectations of the initial business plan. The company has also been increasing the number of marketing authorizations obtained across the division (+35 obtained in 1H23 across Europe following +53 in 2022), which now stand at almost 500.

Going forward, more generally, Labiana is focused on **i)** continue growing the existing client base; **ii)** further expanding internationally; **iii)** continue investing in new products either through internal R&D or in-licensing deals (in both cases possibly involving co-development agreements); **iv)** fostering growth in the pets division, through the development of own solutions (at this stage, the company is focused mostly on anti-parasitics and chronic pain) and the establishment of partnerships with third-party specialists to gain market reputation and know-how.

Human business (47% of FY22 sales)

In the **human business,** growth should be supported by the addition of new CDMO projects, a rising fosfomycin internationalization, new products incorporation and further participation in public tenders for medical devices.

Human CDMO (32% of FY22 sales)

A consolidating sector
The Human Contract Development and Manufacturing Organizations (CDMO) sector has been growing on the back of market consolidation processes that limit large pharmaceuticals flexibility to produce niche and complex products efficiently. This has originated an expanding outsourcing trend to independent companies specialized not only of drugs manufacturing, but also molecules development, registration and commercialization support services.

Growth drivers
Labiana's growth in this area should be driven mostly by the addition of new clients and product references, and, over the short term, a continued pass through of the recent investments carried out, namely in new ampoules solutions line (25mn capacity). Whilst in the past the company has taken several smaller sized projects, with limited scalability gains, the recent investments carried out should allow Labiana to improve its offer competitiveness in larger volume deals, with above average revenues and profitability. In particular, the revamping of the lyophilization capacity should be an additional source of tailwinds over the coming years.

Fosfomycin (13% of FY22 sales)

Market size and outlook
According to market data forecast, the global urinary tract infections market is estimated at USD10bn in 2021 (complicated infections account for the vast majority of the market) and expected to grow at 2% until 2026. The interesting value proposition of Fosfomycin compared to the rest of antibiotic therapies for uncomplicated lower urinary tract infections (more convenient dosing profile) should allow for some market share gains. According to IQIVIA, Fosfomycin demand is anticipated to grow at a 15% CAGR at a global level over the next 10 years.

Growth drivers
Growth levers for Labiana will come from an increasing international presence (currently marketed in >50 territories, further approvals expected in 2024/5), new tenders and higher sales under Labiana´s brand. This said, the entrance of additional generics competition (namely in the US) is a source of headwinds.

New products in pipeline
Labiana plans to expand further in the human products commercialization, through the incorporation of both own and third party products. New products should be molecules either without material competition or synergetic with current portfolio. In this context, Labiana focuses its R&D activity on more specialized niche products, with more complex manufacturing and medium batch sizes, in which there is little competition due to the limited interest of large pharmaceutical companies in their development and manufacturing. Current R&D pipeline includes four projects (o.w. one already in the launching phase). Overall, the company targets €8.6mn of peak sales with the new products, of which €7.4mn with generics.

Product pipeline in the human area (€ mn)

Project	Indication	Type of product	Development stage	First MA expected	Peak sales expected
Project 11	Infections' preventive	Food supplement	Launched	2022	1.2
Project 12	Antidiabetics	Generic	Selected	2025-26	4.4
Project 13	Erectile dysfunction	Generic	Selected	2024-25	1.4
Project 14	Hormones	Generic	Selected	2024-25	1.6
Total					**8.6**

Note: MA=Market Authorization. Source: Labiana

Medical devices (2% of FY22 sales)

Medical devices
Since 2017 Labiana started in Spain an Institutional Sales Division, representing several international well-known brands of Medical Devices (Acon, Sandstone, VIRTEX, etc.). This decision allowed Labiana to reinforce a positive image with the Spanish Health Authorities, wining tenders and expanding business opportunities.

Our estimates (2023^F-2026^F)

Labiana P&L 2019-26^F (€ mn)

	2019	2020	2021	2022	2023F	2024F	2025F	2026F
Revenues	**48.2**	**57.8**	**57.0**	**61.4**	**65.6**	**72.9**	**86.3**	**101.5**
% Growth		20%	-2%	8%	7%	11%	18%	18%
-Cost of sales	-21.3	-26.0	-24.4	-28.1	-27.9	-31.1	-36.8	-43.3
% Growth		22%	-6%	15%	-1%	11%	18%	18%
Gross Margin	**26.9**	**31.8**	**32.5**	**33.3**	**37.7**	**41.8**	**49.5**	**58.2**
Margin %	56%	55%	57%	54%	57%	57%	57%	57%
-Op. Expenses	-22.4	-24.0	-25.3	-26.3	-34.0	-35.0	-39.0	-44.1
% sales	-46%	-42%	-44%	-43%	-52%	-48%	-45%	-43%
Adj. EBITDA	**4.5**	**7.8**	**7.2**	**7.0**	**3.7**	**6.8**	**10.5**	**14.1**
% Growth		72%	-7%	-3%	-47%	82%	55%	34%
Margin %	9%	13%	13%	11%	6%	9%	12%	14%
-Non recurrents	-0.5	-2.4	-0.8	-4.4	-0.2	-0.2	-0.2	-0.2
EBITDA	**4.1**	**5.3**	**6.4**	**2.6**	**3.6**	**6.6**	**10.4**	**14.0**
% Growth		31%	21%	-59%	35%	85%	57%	35%
-D&A	-2.2	-2.9	-5.0	-8.7	-5.0	-5.0	-5.0	-5.0
EBIT	**1.8**	**2.5**	**0.6**	**-6.1**	**-1.4**	**1.6**	**5.4**	**9.0**
- Financial Expenses	-1.1	-1.9	-2.7	-1.8	-2.7	-2.8	-2.4	-2.2
PBT	**0.8**	**0.5**	**-2.1**	**-7.8**	**-4.2**	**-1.2**	**3.0**	**6.7**
-Taxes	0.1	0.5	0.0	-1.3	0.8	0.2	-0.6	-1.3
-Minorities	-0.2	0.0	0.3	0.2	0.2	0.0	0.0	0.0
Net Profit	**0.7**	**1.1**	**-1.8**	**-8.9**	**-3.2**	**-0.9**	**2.4**	**5.4**
% Growth		64%	n.a.	n.a.	n.a.	n.a.	n.a.	126%

Source: Labiana, CABK BPI Equity Research.

+8% organic revenues CAGR'22-26^F

We expect **Labiana's revenues to increase at an accumulated annual rate of 8% in the period 2022-26^F**, supported by a good performance of both the CDMO business and the Product Commercialization, albeit with some outperformance of the latter on the back of a solid delivery in both the animal and fosfomycin areas.

Revenues 2019-26^F (€ mn)

	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2022-26F
CDMO Services	**33**	**38**	**33**	**37**	**37**	**38**	**41**	**45**	**4.9%**
% Growth		15%	-13%	12%	1%	2%	9%	8%	
Animal	15	17	17	19	19	19	21	23	5.2%
% Growth		11%	0%	8%	1%	2%	9%	9%	
Human	17	21	16	19	19	19	21	22	4.5%
% Growth		19%	-23%	17%	1%	2%	8%	8%	
Product Com.	**16**	**20**	**24**	**21**	**21**	**23**	**29**	**35**	**13.9%**
% Growth		29%	19%	-13%	-1%	12%	24%	22%	
Animal	8	13	15	12	9	12	16	20	14.0%
% Growth		50%	18%	-19%	-22%	28%	31%	29%	
Current Porfolio	8	13	15	12	8	10	12	15	
% Growth		0%	18%	-19%	-32%	19%	24%	26%	
Pipeline	0	0	0	0	1	2	4	5	
% Growth		n.a.	n.a.	n.a.	284%	87%	59%	39%	
Human	7	8	9	9	11	11	13	15	13.8%
% Growth		5%	21%	-4%	29%	-2%	17%	13%	
Fosfomycin	6	7	8	8	10	9	11	12	11.7%
% Growth		0%	23%	-8%	29%	-6%	15%	11%	
Direct sales	6	6	4	4	4	4	5	5	7.0%
Royalties	0	1	4	4	6	5	6	7	16.0%
Medical devices	1	1	1	1	1	1	1	1	
Pipeline	0	0	0	0	1	1	1	2	
Group Revenues	**48**	**58**	**57**	**58**	**58**	**61**	**70**	**80**	**8.4%**
% Growth	13%	20%	-2%	2%	1%	5%	14%	14%	

Source: CABK BPI Equity Research.

In CDMO services we estimate a revenue CAGR 2022-26^F of +5%, backed by higher volumes of existing projects and the contribution of new projects.

- **In Animal Health**, we assume a 5% CAGR 2022-26^F, backed by i) a 2% annual expansion in the number of projects (since the number of potential new clients is much more limited than in the human health industry, the expected growth will come mostly from new projects from existing clients and transference of certain volumes from Zoleant's current CDMO partners); ii) a 4% annual increase in the revenues per project, supported by an above average market growth (focus on outperforming injectable products, growing presence in fast expanding pets segment; a material penetration in biologics would be a source of upside to our forecasts) and a positive mix effect (new projects with multiple times higher revenues than abandoned projects).

- **In Human Health**, we forecast a 5% CAGR 2022-26^F, backed by i) a 1% annual expansion in projects (which should come from both new and existing customers); ii) a 3% annual increase in revenue per project, mostly on mix effects, as the company capitalizes on the recently made investments to access larger volume segments (backed by a more competitive pricing offer).

In **Product Commercialization, we estimate a revenue CAGR 2022-26^F of +14%,** backed again by a strong growth in both animal and human divisions.

- **In Animal Health**, growth should come both from the current portfolio and the existing projects pipeline. Within the current portfolio, we anticipate a i) 10% annual growth in the number of market authorizations (MAs) as the company expands into other territories, helped also by the opportunities both by Zavod and Zoleant acquisitions; ii) a 3% compounded sales drop in revenues per MA (reflecting the Turkish lira depreciation). Most of the topline expansion should come from the 12 products currently in pipeline, which are expected to be launched progressively over the coming years (6 of them already initiated the launching phase). Additional in-licensing deals are a source of upside to our forecasts.

- **In Human Health**, growth will come mostly from Fosfomycin international expansion (expected annual 12% expansion in total Fosfomycin sales), which is currently effectively marketed in >50 countries, in some of them with two or more distributors. The company expects new country launches over the coming years. On top of this, the interesting value proposition of Fosfomycin compared to the rest of antibiotic therapies for uncomplicated lower urinary tract infections should allow for some market share gains. In parallel, we anticipate a gradually higher revenues contribution from the 4 own products in pipeline, reaching €2mn by 2026, but a relatively contained medical devices contribution. That said, the assumed re-entrance of fosfomycin generics in the US should contain short term sales evolution.

+15% organic adj. EBITDA CAGR'22 -26^F

We expect the gross margin in the period 2023^F-26^F to stand at levels of c58% (in line with 1H23 references), as the higher royalties flow-through (100%) from the out-licensing deals in the Product Commercialization area is balanced by reduced prices in the human CDMO division (as the company seeks new larger contracts).

In terms of adj. EBITDA (excluding one offs), we expect the company to expand its margins in the coming years thanks to its operating leverage (personnel and other operating expenses substantially reducing its weight over revenues). We recall that the company increased its adj. EBITDA margin from 9% in 2019 to 13% in 2021, then declining to c7%F in 2023. We expect a further expansion to levels of 15.6% by 2026^F, with 2023 a bottom year. In this backdrop, we **estimate an adj. EBITDA CAGR 2022-26^F of +15%.**

We estimate c€2mn of FCFE by 2026^F

With the estimated strong EBITDA growth in the coming years as the main driver, we expect Labiana to clearly improve its **cash flow generation to c€2mn by 2026^F.**

FCFE and Net Debt Evolution

(€mn)	2020	2021	2022	2023^F	2024^F	2025^F	2026^F
EBITDA	**5.3**	**5.6**	**2.6**	**3.8**	**6.3**	**9.4**	**12.3**
Net Fin. Expenses	-1.9	-2.7	-2.0	-2.7	-2.7	-2.3	-2.1
Taxes Paid	-0.2	-1.1	-0.1	0.8	0.3	-0.4	-1.0
∆ Working Capital	0.5	1.7	4.3	1.0	1.5	-1.9	-3.2
Capex	-6.7	-4.8	-5.5	-3.6	-4.0	-4.0	-4.0
FCFE	**-3.0**	**-1.3**	**-0.6**	**-0.7**	**1.4**	**0.8**	**2.0**
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity increase	3.2	0.0	4.9	0.0	0.0	0.0	0.0
Others	-3.5	-0.9	-1.0	0.0	0.0	0.0	0.0
Change in debt	**-3.3**	**-2.2**	**3.2**	**-0.7**	**1.4**	**0.8**	**2.0**
Net Debt	**38**	**42**	**36**	**37**	**35**	**35**	**33**
Net Debt / adj. EBITDA	**4.9x**	**5.8x**	**5.1x**	**9.2x**	**5.5x**	**3.6x**	**2.6x**

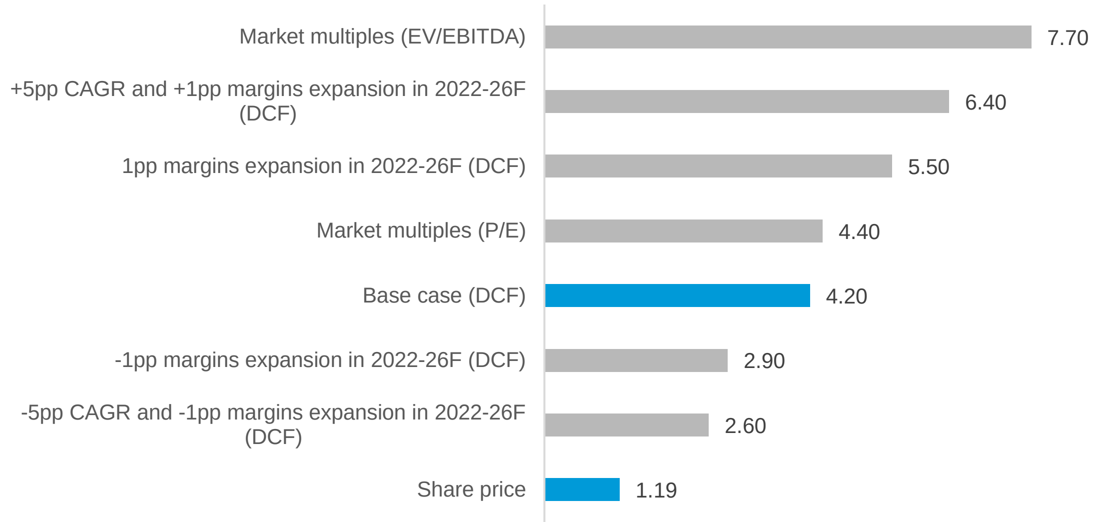
Source: CABK BPI Equity Research

Regarding the B/S, we expect the company to reduce its **Net Debt position progressively throughout the period 2022-26^F reaching a leverage ratio of 5.5x ND/EBITDA by 2024^F (vs. 5.8x LTM) and 2.6x by 2026^F**. We recall that the company has a leverage target of 3x ND/EBITDA in the mid-term.

VALUATION & RECOMMENDATION

Under the assumptions considered, we reach an YE24 equity valuation within a range of €2.60 and €7.70/sh for Labiana. The proposed valuation range has been determined by the Discounted Cash Flow (DCF) and an average of Market Multiples methods.

YE24 Equity Valuation Sum Up (€/sh)



Source: Bloomberg and CaixaBank BPI Equity Research.

DCF Valuation

YE24 equity valuation of €4.20/sh
We consider the DCF method as one of the most suitable for valuing Labiana. In our DCF the discount of explicit cash flows includes a period between 2025^F-32^F calculating a Terminal Value for the following years. We are discounting cash-flows to the end of December'24, and after deducting the estimated Net Debt by YE24 and other items, we reach a total Equity Value of €4.20/share. On a fully diluted basis (assuming the 2.3mn warrants emission), our YE24 equity value would move to €4.13/share. We then define alternative DCF valuation scenarios considering different levels of completion of Labiana's business plan.

Labiana DCF Valuation

(€ mn)	$FY24^F$	$FY25^F$	$FY26^F$	$FY27^F$	$FY28^F$	...	Terminal Value
Revenues	61	70	80	87	93	...	
EBITDA	6	9	12	13	14	...	
EBIT	1	4	7	8	9	...	
Taxes	0	-1	-2	-2	-2	...	
NOPLAT (EBIT*(1-t))	**1**	**3**	**5**	**6**	**7**	**...**	
+ Depreciation	5	5	5	5	5	...	
- Capital Expenditures	-4	-4	-4	-4	-4	...	
- Working Capital Needs	2	-2	-3	-1	-1	...	
= Cash Flows to the Firm	**3**	**2**	**3**	**6**	**7**	**...**	**72**

Source: CaixaBank BPI Equity Research.

We have used as main assumptions:

- **WACC (Weighted Average Cost of Capital) of 9.9%** to discount our estimated cash flows, after applying a **Re (cost of equity) of 12.6%** and **Rd (cost of debt) of 7.9% (considering a long term Rf of 2.9% and a 500bps corporate spread).**

- **Long term capital structure of 40% Net Debt/Enterprise Value,** implicitly assuming the leverage target of 3x Net Debt/EBITDA announced by the company.

- **Risk-free rate of 2.9%** to which we add a **country risk premium (CRP) of 1.6%** (a weighted average by the company's sales).

- **Estimated Beta Equity of 1.35** (asset beta of 0.90).

- **Market premium of 6.0%**.

- **Tax rate of 25%**.

- **Perpetual growth rate of free-cash flows of 2%**.

- **Capex should converge and match the level of depreciation in the long term.**

- **We assumed slight WK requirements linked to 2% perpetual growth.**

DCF Assumptions (Indicative Valuation)

Re	12.6%
Rf	2.9%
CRP	1.6%
Beta Assets	0.90
Beta Equity	1.35
Mkt Premium	6.0%
Rd	7.9%
Tax Rate	25%
D/EV	40%
WACC	**9.9%**
g	**2.0%**

Source: CaixaBank BPI Equity Research.

Other details:

- **Net debt:** we estimate a net debt of €35mn by year end 2024F.

- **Total Equity Value:** We are discounting cash-flows to the end of December'24, and considering the expected net debt, minorities, other liabilities and financial/tax assets, we reach a total indicative YE24 equity value of €30mn or €4.20/sh,.

Our YE24 valuation has implied adj. EV/EBITDA24F/25F multiples of 10.4x/7.0x. These are mainly justified by the high growth potential of Labiana: +8%/+15% revenues/adj. EBITDA CAGR in 2022-26F, according to our estimates.

Implicit Multiples on DCF Valuation

	2022	2023^F	2024^F	2025^F	2026^F
adj. EV/EBITDA	9.5x	16.8x	10.4x	7.0x	5.4x
adj. EV/EBIT	n.s.	n.s.	46.0x	14.6x	9.0x
adj. EV/OpCF	43.0x	n.s.	27.2x	12.0x	7.9x
adj. P/E	n.s.	n.s.	n.s.	15.9x	6.9x

Source: CaixaBank BPI Equity Research.

Our YE24 equity valuation for Labiana would be impacted by c8% if we were to change by +/-0.5pp our terminal growth rate of cash flows (g). A +/-0.5pp change in our WACC assumptions would have a c15% impact in our indicative DCF valuation for the company.

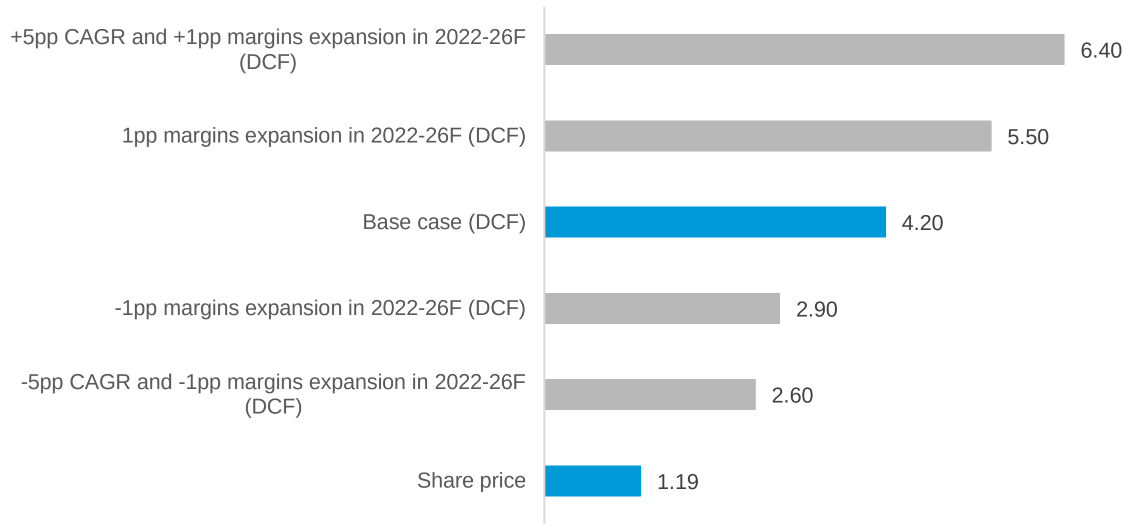
Valuation Sensitivity Analysis to WACC and Terminal Growth Rate (g) (€ mn)

	-1.0 p.p.	-0.5 p.p.	∆ g	+0.5 p.p.	+1.0 p.p.
-1.0 p.p.	4.72	5.09	5.51	6.00	6.57
-0.5 p.p.	4.14	4.46	4.81	5.22	5.69
∆ WACC	3.63	3.89	4.20	4.54	4.94
+0.5 p.p.	3.16	3.39	3.66	3.95	4.28
+1.0 p.p.	2.74	2.95	3.17	3.42	3.71

Source: CaixaBank BPI Equity Research.

A +/-5.0pp change in our estimated revenue CAGR in 2022-26^F period would have -11/+13% impact in our indicative DCF valuation for Labiana. On the other hand, a +/-1.0pp change in our estimated EBITDA margin expansion during 2022-26^F period would have a +/-32% impact in our DCF valuation for Labiana.

DCF Valuation Scenarios (€/share)



Source: CaixaBank BPI Equity Research.

Market Multiples Valuation

We present a market multiples analysis to assess an indicative valuation of Labiana.

Peers operational data

Company Name	Country	Market Cap (€ mn)	CAGR Sales (last 2yr)	CAGR Sales (next 3yr)	CAGR EBITDA (last 2yr)	CAGR EBITDA (next 3yr)	EBITDA mg (last yr)	Capex/ Sales (22)	ROIC (pre-tax) (last yr)	ND/ EBITDA (last yr)
Labiana	Spain		**0.0%**	**6.6%**	**-5.0%**	**11.0%**	**6.0%**	**9.4%**	**-3.8%**	**5.1**
Zoetis	US	73,850	14.6%	6.1%	13.5%	7.9%	42.2%	6.5%	35.7%	1.1
Elanco	US	4,812	20.9%	1.2%	44.9%	1.4%	23.2%	2.7%	7.4%	5.5
Dechra Pharma	UK	4,951	17.1%	8.8%	14.1%	10.7%	26.3%	3.4%	15.3%	1.9
Virbac	France	2,347	14.1%	3.9%	-	3.9%	18.8%	5.2%	24.8%	-0.4
Vetoquinol	France	1,010	12.4%	2.7%	18.7%	1.3%	21.9%	4.9%	22.3%	-0.7
Phibro Animal Health	US	389	7.5%	5.7%	8.1%	3.2%	12.9%	3.6%	12.7%	3.6
Animalcare Group	Britain	121	2.9%	3.4%	6.4%	5.0%	18.3%	3.0%	11.4%	0.4
Eco Animal Health	Britain	85	8.2%	3.5%	-3.5%	4.4%	8.6%	3.7%	5.0%	-2.2
Ouro Fino Saude	Brazil	210	23.7%	3.1%	-	-	-	-	22.6%	1.1
Animal			**13.5%**	**4.3%**	**14.6%**	**4.7%**	**21.5%**	**4.1%**	**17.5%**	**1.2**
Viatris	US	10,125	21.5%	-2.8%	31.0%	-5.7%	35.5%	2.7%	14.9%	3.6
Teva Pharma	Israel	9,390	-1.4%	1.1%	0.9%	0.5%	30.8%	3.5%	14.4%	4.0
Dr Reddy'S Labs	India	10,204	5.7%	10.1%	20.9%	5.5%	30.7%	5.7%	30.0%	-0.6
Sun Pharma Industries	India	31,636	4.0%	10.5%	25.3%	6.1%	31.4%	4.9%	19.0%	-0.6
Cipla	India	11,206	8.6%	8.6%	21.6%	8.6%	24.1%	4.3%	21.3%	-0.6
Human			**7.7%**	**5.5%**	**19.9%**	**3.0%**	**30.5%**	**4.2%**	**19.9%**	**1.1**
Laboratorio Reig Jofre	Spain	191	8.6%	11.8%	6.3%	23.7%	10.9%	-	3.4%	1.4
Faes Farma	Spain	973	7.4%	4.8%	9.0%	3.4%	27.5%	18.8%	18.9%	-0.4
Iberian peers			**8.0%**	**8.3%**	**7.6%**	**13.5%**	**19.2%**	**18.8%**	**11.1%**	**0.5**
Average			**11.0%**	**5.2%**	**15.5%**	**5.3%**	**24.2%**	**5.2%**	**17.4%**	**1.1**

Source: Bloomberg, CaixaBank BPI Equity Research.

Labiana´s historical growth and profitability below peers' average
Labiana´s revenues posted a flat CAGR'2020-22, below the sector's 8%, as well as a 5% annual decline in terms of EBITDA (vs. +5% of peers' average). On the other hand, the company reported lower EBITDA margins when compared to the sector (6.0% in 2022 vs. 24.2% for peers), mainly explained by the issues faced last year, as well as high exposure to CDMO services and lower scale.

Growth outperformance, but return shortfall to peers
Going forward, we expect Labiana to grow EBITDA above peers (underlying CAGR'22-25^F of +11 vs. consensus expectations of 5% CAGR for peers in the next 3 years). On the profitability side, we expect Labiana to remain below peers' figures as our growth and margins uplift expectations are not enough to cover the existing gap (c14% EBITDA margin by 2025^F for Labiana). In terms of ROIC (pre-taxes) we expect some catch up with the sector, leveraged on an increased asset utilization (we estimate Labiana´s ROIC to climb to 10% by 2025^F).

Multiples valuation

€4.38-8.61/sh YE24 equity valuation using peers multiples
Although in the attached table we include different sector ratios for information purposes, we consider that the EV/EBITDA and P/E multiples are the most appropriate to use in our valuation and the most commonly used in the sector.

In this way, considering our estimates for 2024 and 2025 (adjusted by non-recurring effects) and the sector multiples for these years, we obtain an YE24 Equity Value for Labiana's between €4.38 and €8.61/sh. Whilst the higher growth expected for the company in the coming years (+11% adj. EBITDA CAGR 2022-25^F) is above the outlook for the sector, which could justify a premium in terms of multiples, this factor should be outweighed by the lower EBITDA margins and higher indebtedness of the company. Labiana is currently trading 54% below the sector in terms of EV/EBITDA'25F.

Multiples valuation

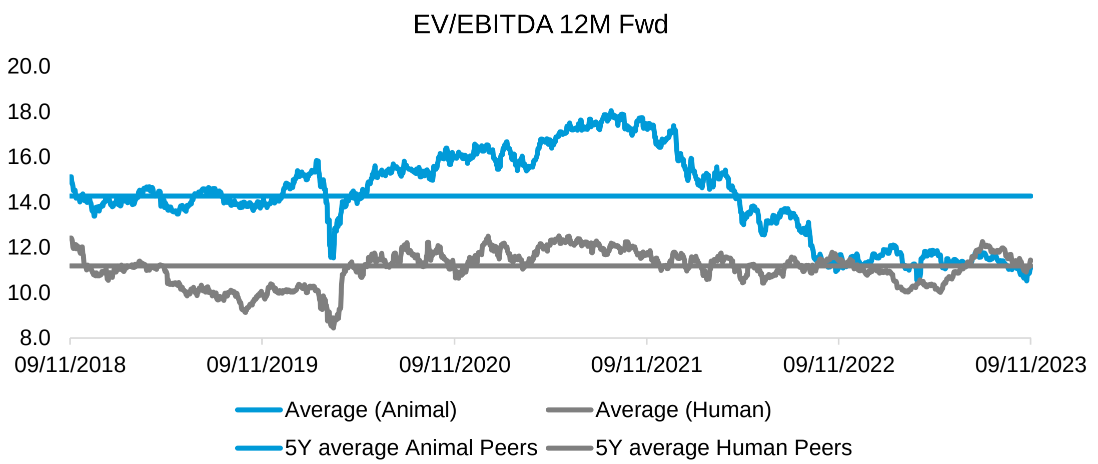
Company Name	EV/EBITDA 24F	EV/EBITDA 25F	EV/SALES 24F	EV/SALES 25F	P/E 24F	P/E 25F	Op FCFY 24F	Op FCFY 25F
Labiana	**7.1**	**4.8**	**0.7**	**0.7**	**n.s.**	**4.5**	**9.0%**	**6.8%**
Zoetis	20.9	19.2	9.2	8.5	28.6	25.8	3.9%	4.2%
Elanco	10.5	9.9	2.4	2.3	11.7	10.4	7.8%	8.5%
Dechra Pharma	21.0	19.1	5.7	5.3	29.6	26.5	4.3%	4.7%
Virbac	10.0	9.0	1.8	1.7	18.8	16.6	7.4%	8.6%
Vetoquinol	8.0	7.5	1.7	1.6	15.6	15.5	10.4%	11.2%
Phibro Animal Health	7.0	6.4	0.8	0.8	8.8	7.9	-	-
Animalcare Group	7.6	7.1	1.4	1.4	13.1	11.6	11.1%	12.6%
Eco Animal Health	9.1	8.4	0.8	0.7	49.8	40.6	4.5%	7.4%
Ouro Fino Saude	5.9	5.4	1.2	1.1	11.8	10.5	13.5%	14.9%
Animal	**11.1**	**10.2**	**2.8**	**2.6**	**20.9**	**18.4**	**7.9%**	**9.0%**
Viatris	5.5	5.6	1.8	1.8	3.4	3.3	16.6%	16.1%
Teva Pharma	6.1	6.0	1.9	1.8	3.7	3.5	55.5%	56.6%
Dr Reddy'S Labs	11.4	10.8	3.1	2.9	18.0	17.2	7.2%	7.6%
Sun Pharma Industries	21.0	18.4	5.6	5.1	30.5	26.0	4.1%	4.7%
Cipla	15.7	14.2	3.8	3.4	25.5	22.7	5.3%	6.1%
Human	**11.9**	**11.0**	**3.2**	**3.0**	**16.2**	**14.6**	**17.8%**	**18.2%**
Laboratorio Reig Jofre	5.7	4.6	0.7	0.7	7.1	5.2	-	-
Faes Farma	7.4	7.1	1.9	1.9	10.7	10.4	8.6%	11.7%
Iberian peers	**6.6**	**5.8**	**1.3**	**1.3**	**8.9**	**7.8**	**8.6%**	**11.7%**
Average	**11.1**	**10.3**	**2.9**	**2.7**	**18.7**	**16.6**	**11.5%**	**12.5%**

Source: Bloomberg, Company releases.

Historical multiples

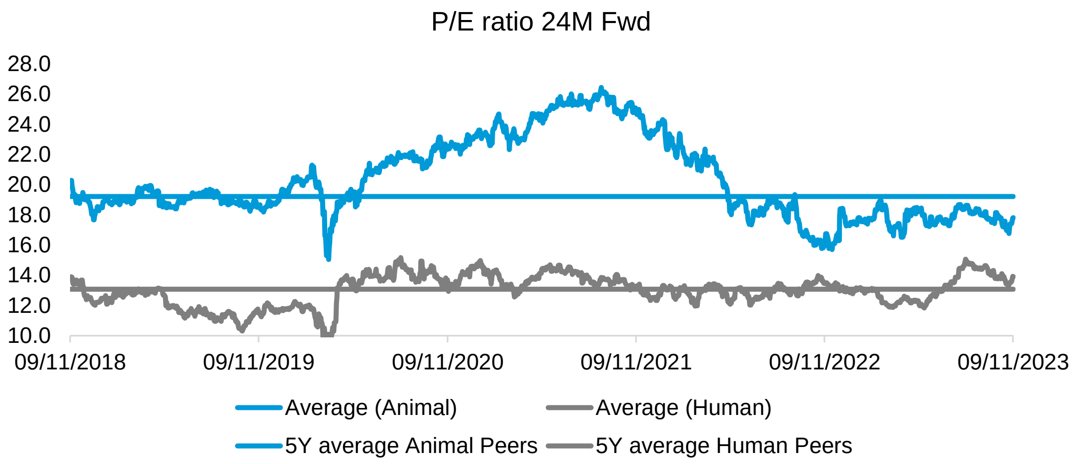
€4.43-10.36/sh YE24 equity valuation using peers historical multiples
Using our sample of peers, we have constructed the **P/E fwd 24M simple average** over the last 5 years, which stood at 16.7x (vs. 16.0x currently). A similar analysis on **EV/EBITDA fwd 12M / 24M** over the past five years points out for a 13.2x / 11.8x average multiple for peers (vs. 11.0x / 10.1x currently). These historical references would back a **€4.43-10.36/sh YE24 valuation for Labiana's equity.**

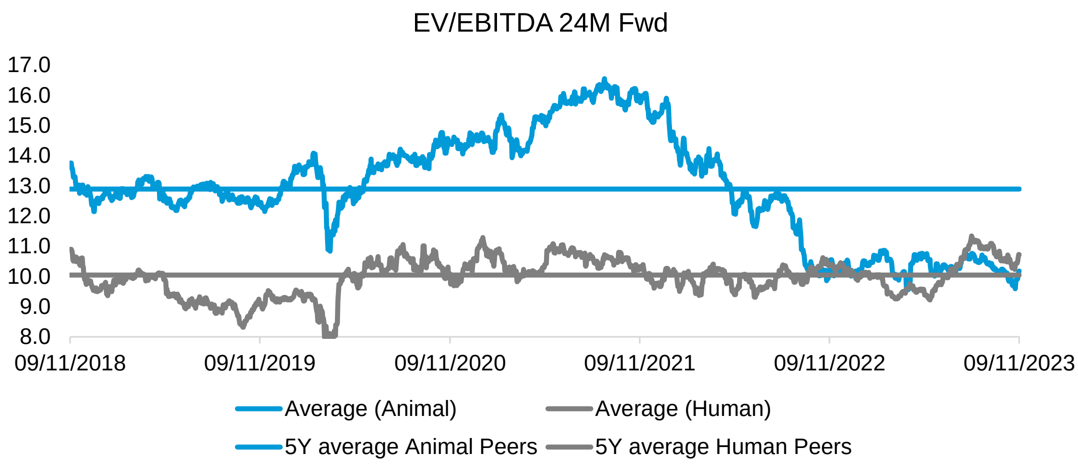
Historical multiples Fwd12M



Source: Bloomberg.

Historical multiples Fwd24M





Source: Bloomberg.

Market multiples valuation sum up (€/sh)

		Implied multiples (adj.)			
	€/sh	**PE'24F**	**PE'25F**	**EV/EBITDA'24F**	**EV/EBITDA'25F**
Multiples all peers average	**6.58**	**n.s.**	**24.9x**	**13.0x**	**8.8x**
PE'25F	4.38	n.s.	16.6x	10.6x	7.1x
EV/EBITDA'24F	4.91	n.s.	18.6x	11.1x	7.5x
EV/EBITDA'25F	8.61	n.s.	32.5x	15.2x	10.3x
Sector historical P/E 24M Fwd (1)	4.43	n.s.	16.7x	10.6x	7.2x
Sector historical EV/EBITDA 12M Fwd(1)	6.81	n.s.	25.8x	13.2x	8.9x
Sector historical EV/EBITDA 24M Fwd(1)	10.36	n.s.	39.2x	17.2x	11.6x

(1) Last 5 years average. Source: Bloomberg and CaixaBank BPI Equity Research.

COMPANY DESCRIPTION

An end-to-end integrated platform in the veterinary and human health segments
Labiana is a global integrated platform operating in the animal and human healthcare industries with presence in both product commercialization (own and third party) and contract development & manufacturing areas. The company has commercial office and/or production facilities in 4 countries, following recent acquisitions (Zavod Subotica, Zoleant), but sells to >150, offering products and services to >200 clients, including leading industry players.

Labiana History

The history of Labiana can be broken down into four different stages:

Stage 1 (1958-1999): Foundation and initial development as a subsidiary of BASF

Labiana began as a family company created in 1958 operating in the animal nutrition business. In 1980 the founding family sold the company to the multinational BASF creating BASF Labiana. From an animal nutrition company, it became a veterinary company creating medicines for livestock (cattle and pigs). The company invented injectable vitamins, since BASF was the largest producer of vitamins in the world.

In 1993, Labiana entered the activity of "Contract Manufacturing" or manufacturing for third parties, working for large multinationals. It should be noted that this activity began as a client with Boehringer Ingelheim Animal Health GmbH, one of the main animal health multinationals, which continues to be an important client for the Group today. At the same time, the group's management licensed some injectable products to the Bayer group, creating some brands that have become well known in the sector.

Stage 2 (1999-2006): Private Equity and reorganization of the management team

In 1999 Labiana incorporated a venture capital fund managed by 3i Group plc, with a minority stake, into its capital and, as a result, there was a change in the management team. The main manager subsequently left LABIANA and had to be replaced by another manager. This was a difficult time for the group in which bad management decisions were made and contracts were signed with clients in disadvantageous conditions.

In 2002 the company entered the human health business and proceeded to purchase a plant for the manufacture of human medicines located in Barcelona. In 2003, there was a new sale to another venture capital fund, managed by ABN Amro, which took a majority stake. It was an operation with a lot of financial leverage and backed by a business plan impossible to meet. Two years later, in 2005, the management team was sacked and interim directors were appointed. None of the directors of that time is part of the current management team.

Stage 3 (2006-2016): Insolvency proceedings

For these reasons, Labiana was forced, in January 2006, to apply for insolvency proceedings. In February 2007, final approval of the creditors' agreement and the viability plan was obtained. At the same time, also in 2007, 100% of the Company was sold to a Dutch fund related to Rabobank. It was a transaction in which the main creditors decided that a trustworthy fund would acquire the operating companies of the Group (Labiana Life Sciences, S.A.U. and Labiana Pharmaceuticals, S.L.U.) to enhance their reorganization and development.

In 2013, a “Management Buy Out” was carried out by the current management team, specifically by 7 managers who took control of 100.00% of the Group, through a new company called Seven Pharma , B.V. (today Labiana Health). The new management team focused on redirecting the situation of Labiana and, already in the first years of its management, there were some important milestones in this direction, such as: (i) the achievement in 2014 of the "Certificate of Conformity with the European Pharmacopoeia" (CEP) for Fosfomycin, which is currently the Group's main product in the human division, and (ii) debt reduction in 2016 through a capital increase that had been subscribed by some shareholders and third parties.

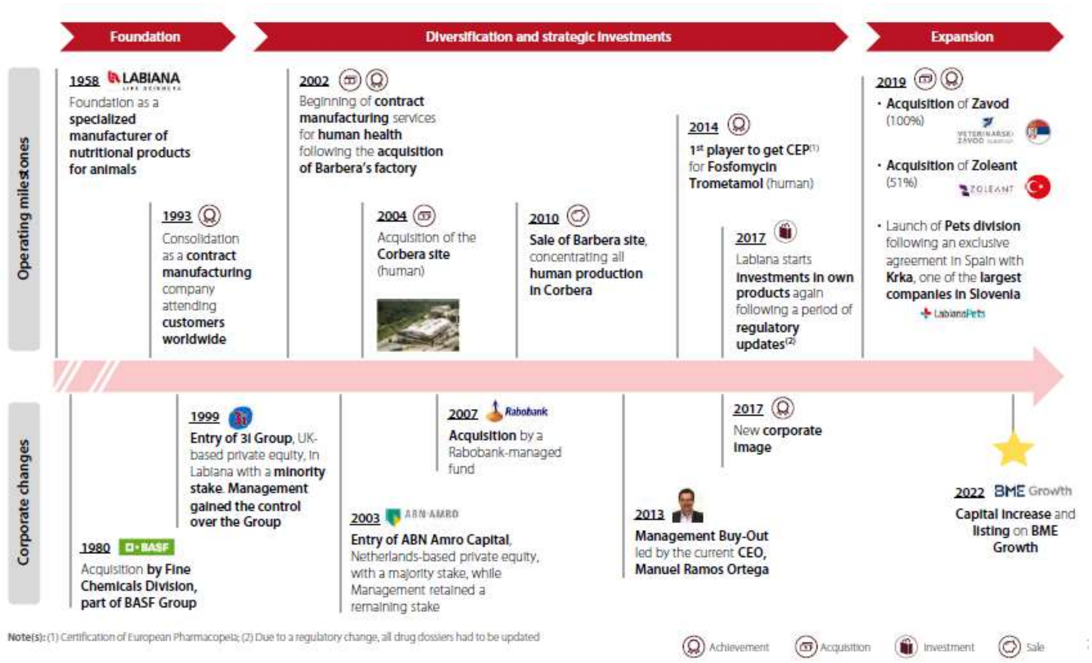
In this way, Labiana managed to get out of the bankruptcy process in 2016.

Stage 4 (2016-2022): Transformation, consolidation and exit to BME Growth

Since then, the current management team has continued to promote the transformation of the Group and has managed to return it to the path of growth. Among other actions, in recent years, there has been a change in the corporate image, investments have been resumed in the portfolio of own products to adapt them to the new regulatory requirements, new registrations and marketing authorizations have been promoted in international markets to expand the geographical scope, investments have been made in R&D of new products, and also in the renewal of machinery and in the acquisition of new equipment for manufacturing and quality control.

Continuing with this transformation and consolidation dynamic, in 2019 the companion animals division "LabianaPets" was launched and the strategic acquisitions of two complementary companies were undertaken (Zavod, in Serbia and Zoleant, in Turkey).

Labiana History



Source: Labiana.

Labiana Main Activities

Since its foundation, in 1958, as a group specialized in animal nutrition products, the company has undergone a process of growth, diversification and internationalization, becoming today a player that stands out as CDMO (Contract Development and Manufacturing Organization) that provides product development and manufacturing services for third parties, as well as developer of generic products for animal and human health.

Animal Health CDMO business (32% of revenues in 2022)

Labiana's positioning in animal health CDMO market

Labiana's animal division has been gaining relevance in the **CDMO** market since its inception, 60 years ago. The company is currently one of the largest independent veterinary manufacturers of pharmacologic products in Spain (which has a relatively reduced number of players) and #1 independent manufacturer of pharmacological injectables for animals in Europe, holding GMP (Good Manufacturing Practices) certified production facilities at the EU and Serbian levels, with an end-to-end verification system (track-and-trace) and room for growth in an environment of scarce access to additional installed capacity with the required certifications.

Offer details

Labiana offers clients flexibility across the full scope of services (from development to production, quality control and commercialization; in certain cases even the distribution of the products, namely in Spain, is outsourced to Labiana). The company provides production capabilities for a wide array of formats with special focus on pharmacological injectables and biologicals (in Europe, only Aenova matches Labiana's veterinary production capacity in this area, despite the former's greater focus on solids). The entrance in biologics (vaccines) took place with Zavod's acquisition in 2019, which provided also a low cost production platform for some of Labiana's current CDMO portfolio (namely those that have been facing price pressures). In this context, the company is working on organizing its CDMO footprint by areas of expertise and production capacities. Initially, the company plans to transfer to Serbia the manufacturing of solids (in which there has been a particular price pressure and activity levels in Spain are relatively limited due to the lack of offer competitiveness). The possibility of transferring sterile products manufacturing to Serbia, to enhance exports competitiveness is also under consideration, among other possibilities. Non-sterile liquids production should remain in Spain due to the lack of large formats production capabilities in Serbia.

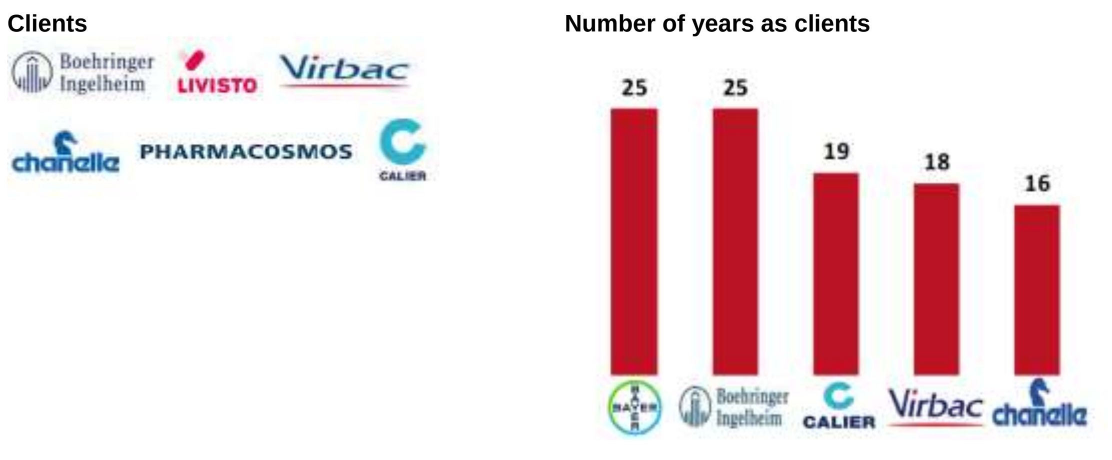
Value proposition

Within this context, while ensuring the highest quality standards in Spain, Labiana differentiates from competitors with lower levels of expertise through increased levels of galenic and technological complexity, and from larger multinationals through greater production versatility (eg. ability to produce low and medium sized batches, with greater flexibility to meet customer demands) and often lower prices. The company sees itself as a niche player in this market, with a better value proposition for less scalable, more value-added products (eg. injectables; Labiana's positioning on massively produced solids is less relevant due to the lack of scale advantages).

Contract details

The group has currently c40 clients in this division with contracts ranging between 3 and 5 years. The signed agreements typically have clauses that allow Labiana to pass potential cost increases on to its customers, providing the company some hedging towards price changes in raw material (most players require Labiana to purchase the active principle) and other supplies (including energy and personnel, in certain occasions). In any case, there is a clause to early terminate the agreement in case the production ceases to be profitable for any reason.

Top clients in CDMO animal



Source: Labiana.

Customer resilience

Despite the relatively short contract durations, relationships are typically long term, considering the high client switching costs both in terms of money and time (eg. old manufacturing dossiers might have expired). In fact, Labiana records an >16 years tenure for top 5 clients, with the oldest having been with Labiana for 25 years). Product diversification across top clients is also relevant (top customers typically take several product references which represent independent contracts), with demands for additional products seen as of recently providing some comfort amidst some concentration risks (top client accounted for 15% of Labiana's 2020 consolidated revenues). On the other hand, whilst some large customers, such as Boehringer Ingelheim, have been centralizing the operations in a reduced number of CDMOs, Labiana perceives itself as a priority supplier among its main clients.

Animal Health product commercialization business (21% of revenues in 2022)

Labiana's positioning in animal health products commercialization market
Within the product commercialization business, the group has achieved global presence (635 marketing authorizations across c60 countries by year-end 2022) with a wide portfolio of c150 pharmacological and biological own/third party products, boosted by the recent acquisitions of Zavod and Zoleant which provided access to biologicals (vaccines) and new markets. Since 2016, Labiana has reinforced its investment efforts and created in 2019 a new division for pets, levered on in-licensing agreements for distribution of solutions of companies such as Krka (Slovenia, including 5 anti-parasitic products) and Bimeda (Ireland) in Spain.

Products commercialized include anti-infectives (injectables and orals), anti-inflamatories (oral), nutritionals (oral), anti-parasitics (injectables and orals), vitamins/minerals/supplements (injectables and orals), metabolism regulators (injectables and orals), hormones (injectables), sedatives & anaesthetics (injectables), dermocosmetics (topical), ectoparasiticides (topical) and vaccines (injectables), among others. Key product references include Aquachok (oral vitamins), Gleptoferron (metabolism regulator injectable), Labhidro (injectable vitamin), Linco-Res (injectable anti-infective) and Tiamulab (oral anti-infective). **Covered species** include the vast majority of farm animals and pet species, among others (15 varieties of animals covered), with a high degree of diversification. Likewise most of the sector, all Labiana's products are already off-patent. Yet, the company sees limited price competition risks on Labiana's quality range (low quality local competition should remain selling at reduced prices).

Top clients in veterinary products

Source: Labiana.

Distribution strategy
Labiana is a widely recognized brand in the veterinary sector in Spain, holding a more expensive quality brand image in emerging markets (where low cost/quality local production assumes a certain preponderance). Whilst strategy varies across products and geographies, the company typically avoids entering into highly populated markets with local and multinational players.

Up until recently, products distribution in the veterinary area was carried out directly in Spain, both in livestock and pets, and through distributors in international markets. The acquisitions of Zavod and Zoleant expanded the company's own network to the Balkans (in particular, offering entrance in Turkish large domestic market, relatively closed to external companies), providing also access to additional countries in Eastern and Western Europe (including Russia) levered on the free trade agreements held by Serbia (in the case of Zavod) and the Middle East (in the case of Zoleant; >35 export licenses to high growth countries such as Iraq, Vietnam, Pakistan, Malaysia, UAE and Saudi Arabia). Distributors' choice is typically based on their market positioning in Labiana's product categories and offer complementarity. In any case, distribution is typically carried out under Labiana's brand (own distributors brand only in certain cases – eg. in penetrating certain markets without diluting prices), with contracts possibly having minimal volumes attached. At an industry level, considering the generally small market sizes across Europe, it is often difficult for each player to justify an own commercial network in every country. For that matter, it is usual to establish reciprocal licensing relationships. Labiana has this kind of partnerships with companies such as Krka, Vetoquinol and Virbac, among others.

R&D efforts
On the R&D front, Labiana is not focusing on developing new chemical entities for the livestock area, but rather improvements in already existing products. In any case, the company does not rule out the possibility of pursuing this path on the pets division (as here residue studies are not required). The criteria for choosing products for pipeline includes the expected synergies with others, the ability of Labiana to manufacture them and the niche market nature.

Human Health CDMO business (32% of revenues in 2022)

Labiana's positioning in human health CDMO market
Labiana Human started its activity in 2002 as a contract manufacturing organization. For several years, the company focused on increasing volumes and sales by gaining new clients and presence worldwide.

From 2016, it has been improving its margin through increasing productivity, investing in new technologies, improving the production process and implementing an strict expenses control . As a second step, since 2018, it has been renegotiating volumes and prices with clients and dismissing non-profitable products and markets. Whilst holding a less relevant market positioning than in the less crowded veterinary market, the company has renewed GMP (Good Manufacturing Practices) certified production facilities (including the legally required tract-and-trace capabilities) at the EU level with room for growth, as well as experience in technologies with less competition requiring very specific knowledge (eg. lyophilizes in ampules, medicated gums). The company currently manufactures c350 product references in this area.

Offer details
Likewise in the animals area, Labiana offers clients the full scope of services (from development to production, quality control and commercialization), providing production capabilities for several formats, including injectables. Yet, the company sees room to strengthen high-value added manufacturing areas (eg: injectables) in order to satisfy the demand of current customers and enter into new manufacturing agreements with higher-volume and profitable products. (eg: Hyaluronic acid). The company has also special licenses to manufacture psychotropics as well as narcotics and hormonal drugs.

Value proposition
Production focus is on more complex products in niche markets (eg. Valproic acid, an injectable with 20k units consumption in Spain; Mestinon/Pyridostigmine for myasthenia gravis, an orphan disease), for which multinationals do not find efficient solution for manufacturing allocation, leveraging on an increased flexibility to manufacture lower-sized batches. The company tends also to produce drugs with a relatively mature profile in markets in which it sees limited competition threats.

Contract details
Likewise in the veterinary area, contracts range between 3 and 5 years and typically have clauses that allow Labiana to pass potential cost increases on to its customers and to early terminate the agreement in case the production ceases to be profitable for any reason.

Top clients in CDMO human

VIATRIS ferrer KERN PHARMA GPI MENARINI PHOENIX

Source: Labiana.

Customer resilience
Client relations are typically long term, considering the high switching costs, and product diversification is also relevant (top customers typically take several product references). Likewise in the veterinary business, the demands for additional products seen as of recently providing some comfort amidst some concentration risks (top client accounted for 21% of Labiana's 2020 consolidated revenues). On the other hand, whilst some large customers, such as Viatris, have been centralizing the operations in a reduced number of CDMOs (in this case following successive consolidation processes involving Upjohn and Meda), Labiana perceives itself as a priority supplier among its main clients.

Human Health product commercialization business (15% of revenues in 2022)

Labiana's positioning in the human product commercialization market
Labiana entered in the human product commercialization market in 2014, with the obtainment of the first Certification of European Pharmacopoeia (CEP, a certificate for the compliance of the active pharmaceutical ingredients with the defined European Standards) for Fosfomycin, an antibiotic to treat lower urinary tract infections. Labiana has achieved worldwide presence with the molecule reaching more than 50 strategic markets (including US and Canada). In parallel, the company has expanded to the medical devices distribution area in Spain in 2018, after successfully gaining public tenders in hospitals to commercialize diabetes-related instruments (glucometers, needles, strips, etc) as market representative of multinational companies (additional tenders under analysis).

Fosfomycin value proposition
Fosfomycin is one of the widest used antibiotics to treat uncomplicated lower tract urinary infections. Along with nitrofurantoin and trimethoprim/sulfamethoxazole, it is recommended as first-line treatment for the condition, with the specific drug prescribed dependent on the type of bacteria found. The drug has a minimal bacterial resistance and, comparing to competition, a more convenient dosing profile (orally once vs. orally twice a day for 3-5 days). Efficacy and tolerability profile are also robust.

Market position & strategy
Initially discovered in 1969, in a joint effort of Merck and Co. and Spain's Compañía Española de Penicilina y Antibióticos (CEPA), the drug is currently off-patent, but due to the limited use over the past years (high market competitive intensity led to a de-prioritization of the molecule by Zambon, the holder of the dossier) it currently remains active against several bacteria to which most of other more commonly used antibiotics have acquired resistances. In the context, as helped by some generics entrance in the market, the use of Fosfomycin has been increasing by 40% annually over recent years. In 2022, Labiana recorded €8.7mn sales with its Fosfomycin generic product. Although there are not relevant products in pipeline for this condition in other pharmaceutical companies, new generics entrance is a source of competition in the market. Labiana is, nevertheless, focusing on reducing active principle production costs and expanding further in emerging markets, where prices are not regulated.

Distribution strategy
Whilst Labiana is typically responsible for the manufacturing process of Fosfomycin active principle (US is an exception), the drug is then out-licensed or sold to third party distributors (plans to commercialize under Labiana's own brand circumscribed to Denmark at this stage). These are typically large pharmaceutical companies, such as Stada (Germany), Sanofi-Aventis (Italy), Chemo/Insud Pharma group (US, in which the company has the first generic in the market for a 6 month exclusivity period) or Cinfa (Spain).

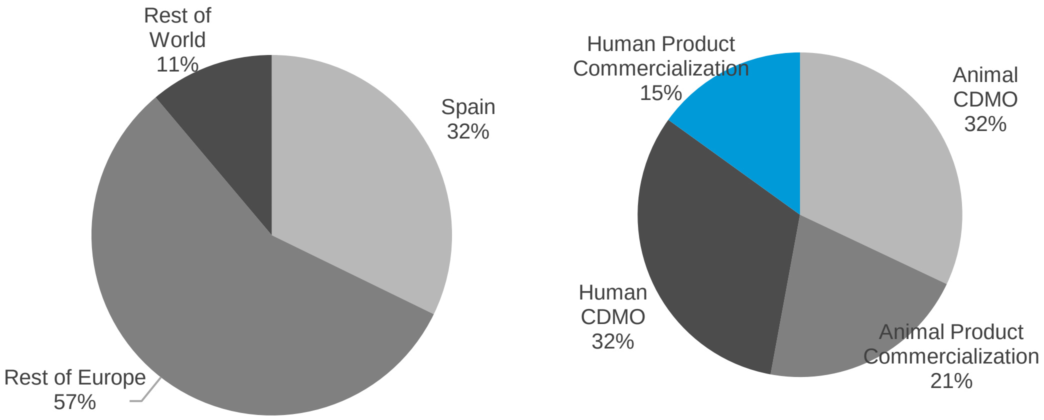
Top clients in Fosfomycin

Source: Labiana.

Medical devices
This activity began in 2017 and includes the marketing in Spain of medical devices for diabetes (glucometers, needles, strips, etc). These products are purchased from different suppliers in order to be commercialized in Spain, mainly through participation in public tenders. The contribution to the Group's revenues is, therefore, very limited at the moment.

2022 Revenues´ Breakdown

By geography **By business**

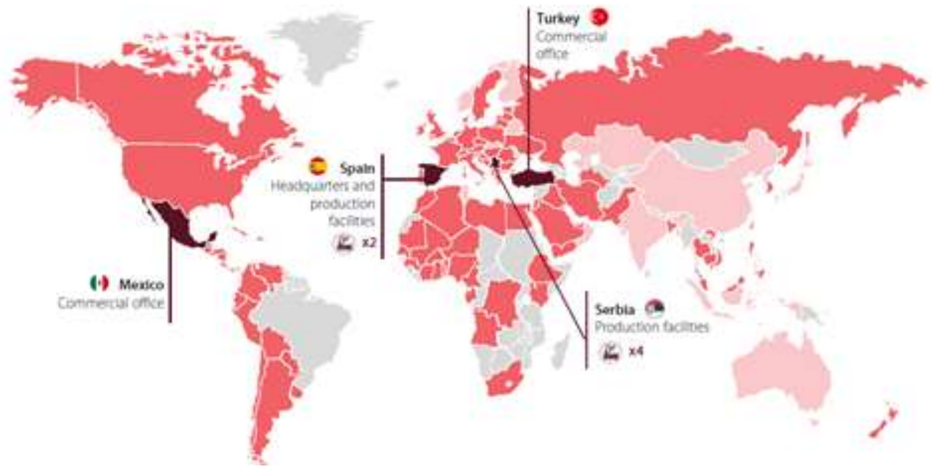


Source: Labiana.

Well stablished international platform

Labiana is becoming a solidly established international company through a growing global network of distributors in export markets, with c60% of its sales in 2021 coming from outside Spain. In fact, products manufactured by Labiana can be found in >150 countries (locations where Labiana products are sold either under Labiana or its clients branding). On top of this, Labiana has direct registrations in >90 countries, locations where Labiana has Marketing Authorization to commercialize its own products. Production facilities are located in Spain and Serbia.

Labiana´s international presence



Source: Labiana.

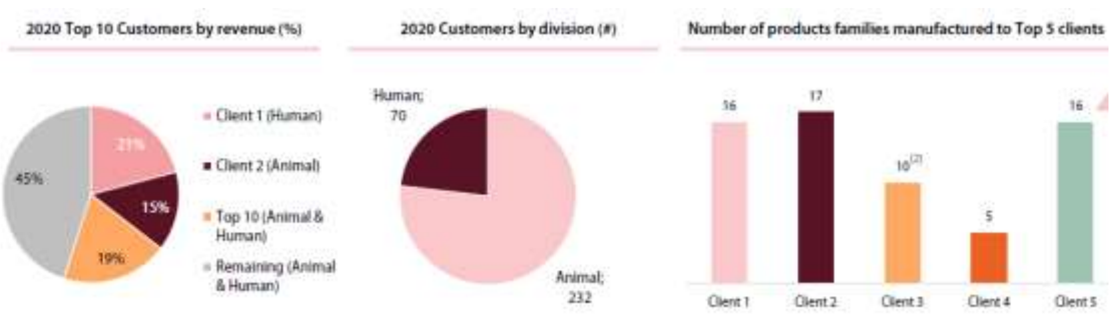
Well diversified client base

Labiana has trusted long term relationships with more than 200 clients worldwide. Group´s clients are mainly national and international pharmaceutical companies and drug wholesalers and distributors. In the CDMO area, although the normal length of a contract is between 3 to 5 years, **the relationship period of the Group with its 10 main clients is 15 years on average**, the lengthiest being 25 years. The main client of the Group represented, 21% of total revenues in 2020 (split across 16 products with independent contracts therefore diluting the concentration risk), and the main 10 clients together 55%.

The majority of Labiana´s clients are active with the Group in several different pharmaceutical products (for example, the main client has contracts with Labiana for 16 products and the second client for 17 products). For this reason, the risk of losing a client is more reduced. In fact, so far, Labiana has not lost any client and whilst some of products have been discontinued (due to their life cycle), the company is recurrently considered as CDMO provider for new projects.

Additionally, the change of a CDMO service provider by a pharmaceutical company is associated with a high execution complexity, both in technical terms and switching costs. This circumstance is a disincentive for Labiana customers when considering a change of supplier, which further strengthens and protects the Group's competitive position.

Diversified customer base with diversified product demands



Source: Labiana.

Regarding the sourcing of the required raw materials, Labiana also has some diversification in the supplier base. The main supplier of the Group only represented 7% of total procurements in 2020, and the main 10 suppliers together 33%. In any case, the supply chain issues occurring in the recent past together with a dependence on a few suppliers for some materials has been driving some input shortages and/or price increases that are being passed through to customers.

Diversified customer base with diversified product demands

	Revenues FY20			Supplies FY20			
	(€mn)	**(%)**	**Business line**		**(€mn)**	**(%)**	**Business line**
Client 1	12.1	21%	Human Health	Supplier 1	1.6	7%	Human Health
Client 2	8.4	15%	Animal Health	Supplier 2	1.0	4%	Human Health
Client 3	1.9	3%	Human Health	Supplier 3	0.9	4%	Human Health
Client 4	1.9	3%	Animal Health	Supplier 4	0.9	4%	Animal Health
Client 5	1.7	3%	Animal Health	Supplier 5	0.5	2%	Human Health
Client 6	1.3	2%	Human Health	Supplier 6	0.7	3%	Human & Animal
Client 7	1.2	2%	Human Health	Supplier 7	0.7	3%	Animal Health
Client 8	1.1	2%	Animal Health	Supplier 8	0.6	3%	Human & Animal
Client 9	1.1	2%	Human Health	Supplier 9	0.6	3%	Human Health
Client 10	1.1	2%	Animal Health	Supplier 10	0.6	2%	Animal Health
Total Top 10	**31.8**	**55%**		**Total Top 10**	**8.0**	**33%**	
Rest of clients	26.1	45%		Rest of suppliers	16.2	67%	
Total	**57.8**	**100%**		**Total**	**24.3**	**100%**	

Source: Labiana.

Manufacturing capabilities

Labiana's facilities in Spain and Eastern Europe for manufacturing own products and carrying out third party CDMO activities have EU or Sebian-GMP (Good Manufacturing Practices) certifications **and sufficient capacity to sustain the business plan in the mid-term**. The manufacturing capabilities are located in Spain (2 plants) and Serbia (4 plants).

The activity of manufacturing products for **animal health is carried out through 5 plants**:

Terrassa plant (Barcelona): It is a EU-GMP-certified and one of the few veterinary product plants in Spain and a reference in Europe for injectables (largest plant in this area in Spain and one of the largest in Europe). All production stages are covered in within the 10,000m2 single building. It is the first veterinary laboratory in Spain with a system of serialization, according to Labiana, to ensure control of unit traceability, to comply with existing international regulations. On top of this, it counts with i) >200m2 of sterile production area, (ii) climatization of warehouses, (iii) renovation and update of quality control laboratories, (iv) new packaging area, (iv) new machinery for semi-automatic visual inspection, and (v) new vessel for oral suspension manufacturing.

Subotica & Srpska Crnja plants: leading veterinary vaccines and generics production facility in Eastern Europe, with capabilities to manufacture biological medicines. There are 4 factories out of which 3 are EU GMP-certified (producing orals, liquids and bacterial biologics) and 1 Serbian GMP-certified (focused on viral products). The plants are complementary to Terrassa's facility due to the biological and pharmaceutical focus (both bacterial and viral) and dermocosmetic, dietetic and biocides capabilities for animal products. The facilities count also with one stem bank with 25 different strains to foster further R&D.

The activity of manufacturing products **for human health is carried out at the Corbera de Llobregat plant**.

Corbera plant (Barcelona): It is a EU GMP-certified plant and renewed facility allowing for larger volumes for human medicines. All production stages covered in within the 9,600m2 single building. The building is divided into different areas to enable process independency and personnel specialization (sterile, non-sterile liquids, solids and packaging). It has technologies with less competition requiring very specific knowledge such as lyophilizes in ampules and medicated gums. On top of this, it counts with (i) >250m2 for sterile and >250m2 packaging area, (ii) new manufacturing machinery, (iii) additional filling and packaging line for ampules, (iv) track & trace system to comply with regulation, and (v) automatic and semiautomatic machinery for optical quality control.

Manufacturing capabilities

Source: Labiana.

Integrated model with end to end capabilities

Through a complete in-house process from research to distribution, Labiana is a partner to help pharmaceutical companies bringing new products to the market both in the animal and human health industries. It offers integrated manufacturing services with flexibility and quality control throughout the process.

DEVELOPMENT:

1. **Research (Idea generation and discovery process):** Labiana has implemented a well-structured process for selection, development and launch of new products, with the aim of optimizing resources, based on: strategic importance, investment required and risk exposure. In addition, Labiana offers its clients research-related services, such as:
   - Developing formulas for new registrations
   - Updating formulas for compliance with new regulations
   - Improving current formulations
   - Carrying out studies of the possible impact of a change in manufacturer

2. **Galenic development (Process through which ideas are transformed into real products):** Formulations are designed and tested with the corresponding analyses and stability studies carried out to ensure the best results. Galenic development is also the first step when evaluating the impact of a change in manufacturer or moving production to a new plant. Clients are offered the opportunity to carry out preliminary tests to improve formulations Labiana's experience in developing own brand products provides great expertise and value-added to clients.

3. **Analytical development:** Process through which formulas are designed, tested and evaluated by experts from different scientific fields in order to ensure its compliance with current regulation.

REGULATORY & REGISTRATION:

The regulatory department carries out pharmaceutical product registration procedures contributing to the expansion into new markets of proprietary brands, as well as third-party products.

Drug registration dossiers are prepared, including all the documentation and tests required according to the current legislation in each country. The process encompasses: preparation of technical documentation for health pharmaceutical specialties; supervision of preclinical and clinical studies and coordination and supervision of different phases in development of new drugs.

Labiana has experience in registering dossiers ("marketing authorizations" or "MAs") in Spain, Europe and in the main non-European markets, such as the Middle East and North Africa, Sub-Saharan Africa, East Asia and Southeast Asia, Central and Latin America. It also has capacity to tackle different forms of registration: national, decentralized, mutual recognition, etc, with local and foreign drug authorities and agencies.

Finally, with regard to its CDMO clients, the regulatory department provides the processing service required to legalize a change of the manufacturer, thus facilitating new pharmaceutical companies to start working with Labiana as a manufacturer of their products.

MANUFACTURING

Labiana has traditionally been focused on chemical pharmaceuticals, but since the acquisition in 2019 of the Serbian company Zavod, the Group has expanded its development and manufacturing capabilities to biological products (eg. vaccines). On top of this, although Labiana is specialized in sterile injectable forms, it has a wide manufacturing capacity that covers most pharmaceutical formats.

The manufacturing process includes:

1. **Sourcing:** Purchase of active pharmaceutical ingredients (APIs) and other raw materials required for production. Through a purchases dedicated team, Labiana has direct relationship with providers and controls the delivery of supplies. It is an especially sensitive area as APIs are the key ingredient in any drug, together with the compliance of the dossier associated to the drug.

2. **Production & Packaging:** Elaboration, labelling and packaging of finished products. The company has 6 production facilities capable of manufacturing a great variety of presentations (vials, drops sachets, capsules, tablets, ampules, etc); finished good products (sterile, non-sterile, liquid and solid), through different processes (sterilization, freeze-drying, coating, etc). Additionally to the manufacturing areas, the facilities are equipped with climatic chambers, multiple packaging lines and warehouses Labiana has invested in building state of- the-art facilities with the latest and most technologically advanced machinery in order to offer clients the smoothest and quickest processes while complying with the highest standards of quality.

3. **Quality control:** Control to guarantee compliance with the applicable regulation and the quality standards required by the clients (which tend to be higher than the actual regulation). Quality controls are present throughout all stages of a product's life; such model reinforces the bond between development & production, thus adding reliability and value.

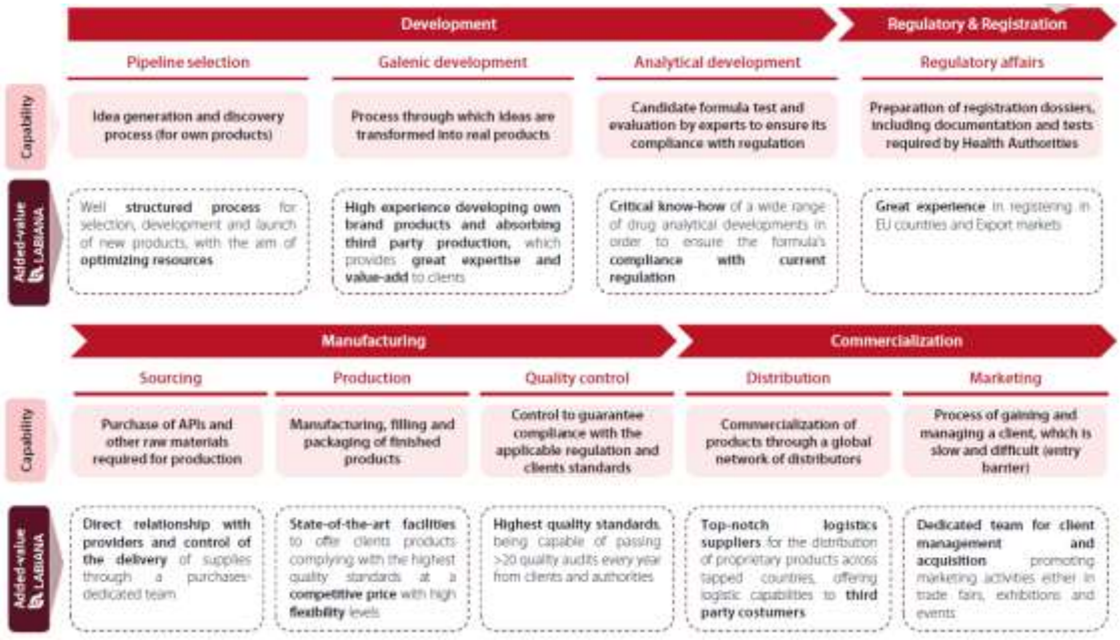
   Controls are carried out along production processes to give the highest quality levels from the outset and track faults at origin. The company is subject to more than 20 quality audits every year from clients and authorities.

COMMERCIALIZATION

1. **Distribution:** Commercialization of products worldwide through a global network of distributors positioning Labiana's own products as well as serving international blue-chip clients. For distribution of own products, the Group has partnerships with top-notch logistics suppliers across the >60 countries where Labiana owns Marketing Authorizations. For third party lots, the client is generally in charge of transport, while Labiana is in charge of guaranteeing adequate logistics organization.

2. **Marketing:** Dedicated team for client management and acquisition promoting marketing activities either in trade fairs, exhibitions and events. The process of gaining (and losing) a client is slow and difficult due to the regulatory implications of manufacturer change, however, this also represents an entry barrier.

Integrated model with end to end capabilities



Source: Labiana.

Recent track record of inorganic growth

Labiana carried out two strategic acquisitions in 2019 enabling further organic growth in the near future by entering in rapidly growing segments and geographies.

Zavod Subotica (100%): Company in Eastern Europe with >100 years of history in the veterinary sector, providing specific capabilities in the high-margin market of biological vaccines.

- **Diversification of the product portfolio and capacities:** Addition of a portfolio of c40 new products to Labiana's catalogue and expansion of current set of capabilities (injectable antibiotics, injectable vitamins, etc).
- **Access to additional "high growth" regions:** 60 MAs in place (51 pharmacologic and 9 biologic) that can complement and expand the current own product portfolio. Additionally, Serbia has free trade agreements with several countries in Eastern and Western Europe.
- **Enter the biologicals vaccines market developing Labiana's own portfolio of high value vaccines:** Good base of existing viral and bacterial vaccines. Additional pipeline of 3 vaccines and a bank with 25 different strains for further development (in-house R&D department). This product base is especially interesting in a context in which the market and the authorities are increasingly focusing on prevention vs. treatments.
- **Strong synergy potential**: Low cost production platform for some of Labiana's current products, in particular for some export markets and CDMO business. Opportunity to leverage Labiana's commercial footprint to expand biological sales in its target geographies.

Zoleant (51%): Veterinary company focused on registration and commercialization of animal health products in partnership with high-quality and recognized global contract manufacturing companies

- **Diversification of the product portfolio:** Addition of a portfolio of c45 new products to Labiana's catalogue.
- **Access to additional "high growth" regions, in particular, the Turkish market:** >75 MAs together with a solid registration pipeline in Turkey, and additional >35 export licenses to high growth countries such as Iraq, Vietnam, Pakistan, Malaysia, UAE and Saudi Arabia.

- **Presence in the Companion Animal market:** Strong product research and development capabilities with a rapidly developing range of products categorized as “feed supplements” targeting the companion animal contract manufacturing market in the US.

- **Strong synergy potential:** Cross-selling potential for Labiana’s products with Zoleant’s export distributors. Potential to shift production capacity from Zoleant’s current CDMO partners to Labiana.

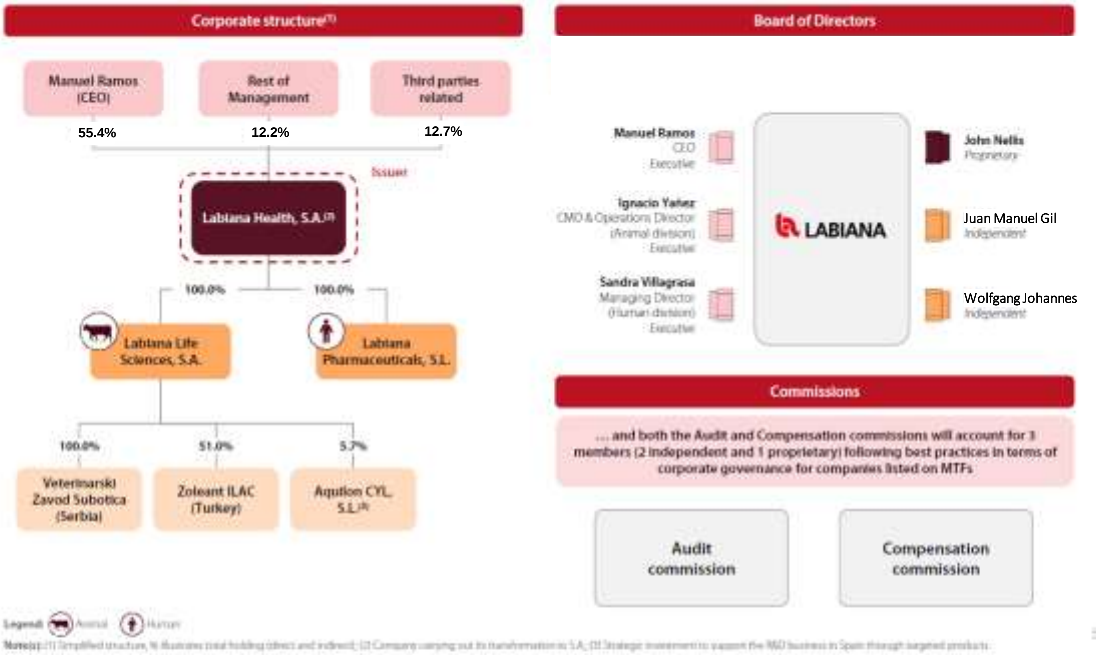
Regarding the M&A strategy going forward, the objective is to acquire companies with good positioning in products / technologies that could bring complementarity in terms of portfolio or geographies as well as competitive advantages and synergies. On this front, the company does not rule out the possibility of acquiring companies with low profitability or potentially experiencing financial problems that could bring direct synergy extraction potential (for example, Zoleant in 2021 reached breakeven under the management of Labiana).

SHAREHOLDER & CORPORATE STRUCTURE

Labiana has a highly committed management team, leading the Group after the Management Buy Out carried out in 2013. Currently, **Labiana´s CEO, Manuel Ramos, owns 55.4% stake in the company (vs. 65.3% prior to the IPO), while the rest of the management team holds a 12.2%** and related third parties a 12.7%. Being majority shareholders, Labiana's key decision makers are fully aligned with the Group's best interests and will follow best practices in terms of transparency and corporate governance after IPO.

At IPO, **the Board of Directors is composed of 3 executives, 1 proprietary and 2 independent members.** Regarding the Audit Commission and the Compensation Commission, both have 3 members (2 independent and 1 proprietary) following best practices in terms of corporate governance for companies listed on MTFs.

Labiana's Board of Directors composition



Source: Labiana.

Labiana management team

Member	Management position
	LABIANA
Mr. Manuel Ramos	CEO
Mr. Miquel Pujolriu	CFO
Mrs. Sandra Villagrasa	Managing Director
Mrs. Ivana Novoa	HR Director
Mr. Jose Manuel García	Chief Business Officer
Mrs. Cristina Ramos	Investor Relations
	ANIMAL DIVISION
Mr. Ignacio Yañez	Managing Director
Mr. Dragoljub Milinkovic	General Manager of Zavod
Mrs. María Jesús Crespo	Head of R&D and Regulatory Affairs
Mr. Antonio José Ortiz Romera	Commercial Director
Mr. Suha Kaya	General Manager of Zoelant
	HUMAN DIVISION
Mrs. Sandra Villagrasa	Managing Director
Mr. Jose Manuel García	Commercial Director
Francisco Fernández	R&D Director
Mr. Javier Sehabiaga	Chief Operations Officer
Mr. Sergio Jimenez	Engineering and Maintenance Manager

Source: Labiana.

Labiana Management team

Chief Executive Officer: Manuel Ramos Ortega
He holds a degree in Business Administration from Universidad de Sevilla and a Master in Corporate Finance and Investment Banking by the IEB (Instituto de Estudios Bursátiles). He is certified as European Financial Advisor (Certification as European Financial Assessor) by the European Financial Planning Association. He has extensive experience in financial advice, having held the position of specialist advisor in restructuring and insolvency at PricewaterhouseCoopers, where he participated in various projects for national and international firms. He joined Labiana Health, S.A. in 2007 and is currently the CEO, member of the Executive Committee and the main shareholder of Labiana.

Chief Financial Officer: Miguel Pujolriu Giménez
He hold a Degree in Business Sciences and Accounting from Universidad Oberta de Cataluña. Master in Business from IESE Business School and Master in Taxation and Tax Consulting from Centro de Estudios Financieros. He has more than 20 years of experience in Accounting and Finance, acquired in different companies belonging to various sectors. He is a founding partner of TG Global Transition, a global consulting firm specializing in consulting and organizing business management. In 2015 he joined Labiana, where he currently holds the position of CFO.

General Director of Labiana Health, Human Health and Member of the BoD: Sandra Villagrasa Clemente
Degree in Pharmacy from the University of Barcelona. Pharmacist specialist in Analysis and Control of medicines and Drugs and in Industrial and Galenic Pharmacy. Degree in Biology from the University of Barcelona. General Management Program at IESE. She has extensive experience in the chemical and pharmaceutical industry, where she has held different positions and responsibilities, among others, she has been Technical Director of FINAF 92, SA, coordinating the Quality Control, Production and Quality Assurance departments, and has been responsible for the implementation and monitoring of its quality

system. She has previously been responsible for Manufacturing and Quality Control at Laboratorio Juanola. In 2003 she joined the Group, where she is currently the General Director of Human Health and a member of the Board of Directors. She has previously held various positions and responsibilities within the Group as Plant Director and Operations Director of various plants.

Human Resources Director: Ivana Novoa
Higher education in Finance & Administration by El Palau, degree in Labor Relations by Universidad Oberta de Cataluña, MSc in Business Psychology and in Human Resources. Joined Labiana in 2000, with several positions in production, quality and human resources.

Chief Business Officer: José Manuel García
He holds a degree in Marketing from Instituto Universitario de Mercadotecnia in Venezuela. Master in Advertising and Marketing from the University of Santa María in Venezuela. He has more than 20 years of experience in marketing and sales in various companies in the pharmaceutical sector such as AstraZeneca, Abbott Nutrittion, Sandoz or Sanofi. He currently holds the position of Chief Business Officer of Labiana.

Head of Investor Relations: Cristina Ramos
Degree in Chemical Sciences, industrial specialty, elaiologist and specialized in communication and strategic planning of the agri-food sector. Master in Environmental Consulting and Verification by the ITC of Malaga. She is a member of the Association of Agri-food Journalists (APAE), the Spanish Association of Wine Journalists and Writers (AEPV) and the International Federation of Agricultural Journalists (IFAJ). She is currently a Founding Partner of COPILOTO AD, an agency specialized in communication and marketing in the agri-food sector. She previously held various positions in companies such as Grupo Editorial EUMEDIA and Ten to Ten Radio.

General Director of Animal Health and Member of the BoD: Ignacio Yáñez Minondo
Degree in Chemistry from the University of Barcelona. Master in Environmental Engineering from the Sarriá Chemical Institute and Master in Operations Management from ESADE. In 1998 he joined the Group, where he has held various positions as Director of Industrial Operations and CDMO Business Manager. He is currently the General Director of Animal Health and a member of the Labiana Board of Directors.

General Director of Zavod (Serbia): Dragoljub Milinkovic
He studied Economics at the High Economic School Svetozar Miletic Novi Sad, Serbia. Master in Energy Management from the Faculty of Technological Sciences of Novi Sad. He has more than 10 years of experience in management of international environments, being specialized in animal feed, health and basic products, both at a strategic business level and in operational management functions. He is currently the General Director of Zavod, after the acquisition in 2019 of the company Veterinasrski Zavod d.o.o. Subotica, of which he has also been General Manager.

Director of Research and Development: María Jesús Crespo Domínguez
Graduated in Veterinary Medicine from the Universidad Autónoma de Barcelona. She has a Master's degree in Microbiology at the Microbiology Service of the Vall d'Hebrón Hospital and a Master's degree in Veterinary Medicine, both from the Universidad Autónoma de Barcelona. Doctorate in Veterinary Medicine from the Universidad Autónoma de Barcelona. She has been an associate professor at the Microbiology Unit of the Veterinary Faculty of the University of Barcelona and has worked as Food Hygiene Inspector at the Vall d'Hebrón Hospital in Barcelona. Likewise, she has experience in pharmaceutical laboratories such as Laboratorios Fornells, Oló, Crespo, S.A. in Barcelona and Claymon Laboratories Ltd. in Ireland.
In 2005 she joined the Group, and currently holds the position of Director of Research and Development of Animal Health.

Veterinary and Commercial Head: Antonio Ortiz
Graduated in Veterinary Medicine from the University of Córdoba. Executive MBA in Business Administration and Management of agri-food companies from IPE Málaga. He has more than 20 years of experience in marketing and sales in various companies in the Animal Health sector such as Vitamex Group or Laboratorios Karizoo.

General Manager of Zoelant: Suha Kaya
Degree in Pharmacy, and MSc and PhD at Pharmaceutical Technology Department from Gazi University (Ankara). Experience in R&D with responsibility on regulatory affairs, production and plant management in Vilsan Veteriner İlaçları. R&D and GMP consultancy namely at Danışmanlık. Co-founder of Zoleant and Adentech Cosmetic.

Head of Research and Development: Francisco Fernández
Degree in Pharmacy, MSc in Drug Development & Control and in Dermopharmacy, and PhD in Pharmacy from University of Barcelona. Post-graduation in Advanced Statistics. Experience as researcher in Bio-

pharmacy and Pharmacokinetics in University of Barcelona, Quality Control in Alcon (Novartis), Galenic Development in Reig Jofre, where he previously assumed leadership functions. Joined Labiana in 2022as Head of R&D and Tech Transfer.

Head of Human Health Operations: Javier Sehabiaga Rodríguez
He has a degree in Pharmacy from the Barcelona University and specialist, via FIR oppositions, in Industrial and Galenic Pharmacy from the Barcelona University. He has experience in different pharmaceutical laboratories such as Laboratorios UQUIFA, S.A., Laboratorios Andersen, S.A. and Reig Jofre Laboratories. He joined Labiaba in 2015 and since then has carried out different management functions within the Group. He is currently Director of Human Health Operations for Labiana.

Head of Engineering and Maintenance: Sergio Jiménez Triviño
Technical Engineer in Industrial Electronics from the Salesianos de Sarria University. He has more than 20 years of experience in machinery maintenance and 18 years of experience in the pharmaceutical sector. He joined Labiana in 1999 and currently holds the position of Director of Engineering and Maintenance.

ESG INITIATIVES

Whilst providing limited details (namely quantitative) regarding its current positioning an efforts, Labiana claims to be committed with social responsibilities, implementing measures to have a proper control within its structure in terms of governance, environmental initiatives and employee equality.

Environment: Labiana has implemented an environmental policy with the commitment to achieve environmental neutrality in its facilities. Measures carried out so far today are the following:

- Implementation of ISO 14.001-2.015 and ISO 45.001-2.018 in Labiana Life Sciences and working for future implementation in Labiana Pharmaceuticals.
- **Reduce energy** spending by switching all light bulbs to LEDs.
- Substituting old gear for new, highly **efficient equipment.**
- **Residues management** for proper recycling.
- **Reduction of contaminants** through a water collection system.
- Working on **reducing CO2 emissions** throughout the production process.
- Working along suppliers to **acquire reused materials** for packaging.

Social: Work organization complies with each country's labour laws, combining flexibility with administrative and production requirements in the best possible way.

- **Equality Plan** to guarantee gender parity in the workplace
- **4 committees** with quarterly meetings to **address issues affecting employees**
- **Voluntary initiatives** to raise awareness on various social matters

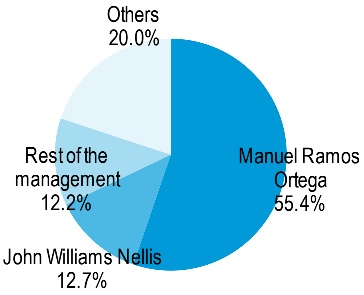
Governance: Best practices in terms of corporate governance to monitor law compliance and ethical behaviour of all parties with direct or indirect relation with the group.

- **Prohibition to accept benefits** from clients, suppliers or individuals
- Monitoring employee functions are developed honestly, **without illegal motivations**
- Control measures to **eliminate money laundering, corruption & bribery**

FINANCIALS

P&L (€ mn)	2020	2021	2022	2023F	2024F	2025F	2026F	CAGR 22-26F
Revenues	**58**	**57**	**58**	**58**	**61**	**70**	**80**	**8%**
EBITDA	**5**	**6**	**3**	**4**	**6**	**9**	**12**	**47%**
EBITDA adj.	**8**	**7**	**7**	**4**	**6**	**10**	**12**	**15%**
EBITDA adj. mg.	13.4%	12.7%	12.1%	6.9%	10.5%	13.7%	15.6%	
Depreciation & others	3	5	9	5	5	5	5	-13%
EBIT	**2**	**1**	**-6**	**-1**	**1**	**4**	**7**	**n.s.**
EBIT adj.	**5**	**2**	**-2**	**-1**	**1**	**5**	**7**	**n.s.**
Net financial results	-2	-3	-2	-3	-3	-2	-2	4%
Income tax	1	0	-1	1	0	0	-1	-5%
Others	0	0	0	0	0	0	0	n.s.
Minority Interests	0	0	0	0	0	0	0	n.s.
Net Profit reported	**1**	**-2**	**-9**	**-3**	**-1**	**2**	**4**	**n.s.**
Net Profit adj.	**1**	**0**	**-5**	**-3**	**-1**	**2**	**4**	**n.s.**

Shareholder structure



Source: Labiana

Balance Sheet (€ mn)	2020	2021	2022	2023F	2024F	2025F	2026F	CAGR 22-26F
Net Intangibles	12	13	9	11	12	13	13	10%
Net Fixed Assets	20	20	21	18	16	14	12	-12%
Net Financials	2	4	1	1	1	1	1	0%
Inventories	0	0	0	0	0	1	2	n.s.
ST Receivables	28	26	26	25	23	26	29	3%
Other Assets	2	1	1	1	1	1	1	0%
Cash & Equivalents	2	3	3	3	4	4	4	11%
Total Assets	**66**	**68**	**61**	**58**	**57**	**59**	**61**	**0%**
Equity & Minorities	**14**	**12**	**7**	**4**	**3**	**4**	**9**	**6%**
MLT Liabilities	**31**	**26**	**19**	**19**	**19**	**19**	**17**	**-3%**
o.w. Debt	30	26	18	19	19	18	16	-3%
ST Liabilities	**21**	**30**	**35**	**34**	**35**	**35**	**35**	**0%**
o.w. Debt	9	19	20	20	20	20	20	0%
o.w. Payables	9	9	11	11	11	12	12	1%
Equity+Min. + Liabilities	**66**	**68**	**61**	**58**	**57**	**59**	**61**	**0%**

Valuation Summary (€ mn)		Δ
Enterprise Value	**67**	**-30%**
YE24 Net Debt	-35	1%
Financial Inv. & Tax assets	1	-46%
Provisions & Other Liabilities	-2	-6%
Minorities	-1	0%
YE24 Equity Value	**30**	**-53%**
# Shares (mn)	7.1	-1%
YE24 Fair Value (€)	**4.20**	**-52%**

Source: CaixaBank BPI Equity Research.

Cash flow (€ mn)	2020	2021	2022	2023F	2024F	2025F	2026F
+ EBITDA	5	6	3	4	6	9	12
- Chg in Net W.C.	0	-2	-4	-1	-2	2	3
- Taxes Paid	0	1	0	-1	0	0	1
= Operating Cash Flow	**6**	**6**	**7**	**6**	**8**	**7**	**8**
- Growth Capex	2	2	2	3	3	3	3
- Replacement Capex	5	3	3	1	2	2	2
- Net Fin. Inv.	0	2	-3	0	0	0	0
= Cash Flow after Inv.	**-1**	**-1**	**4**	**2**	**4**	**3**	**4**
- Net Fin. Exp.	2	3	2	3	3	2	2
- Dividends Paid	0	0	0	0	0	0	0
+/- Equity	3	0	5	0	0	0	0
Other	-3	-1	-1	0	0	0	0
=Change in Net Debt	**3**	**4**	**-6**	**1**	**-1**	**-1**	**-2**
Net Debt (+)/Net Cash (-)	**38**	**42**	**36**	**37**	**35**	**35**	**33**

Sensitivity Analysis (€/sh)	-0.5pp	Δ g	+0.5pp
-0.5pp	4.46	4.81	5.22
Δ WACC	3.89	**4.20**	4.54
+0.5pp	3.39	3.66	3.95

Source: CaixaBank BPI Equity Research

Growth, per share data and ratios	2020	2021	2022	2023F	2024F	2025F	2026F
Sales growth	20%	-2%	2%	1%	5%	14%	14%
EBITDA Adj. growth	72%	-7%	-3%	-43%	62%	48%	30%
EPS Adj. growth	n.s.	n.s.	-124%	n.s.	n.s.	n.s.	n.s.
Avg. # sh (mn)	n.s.	n.s.	7.2	7.2	7.2	7.2	7.2
Basic EPS	n.s.	n.s.	-1.24	-0.40	-0.16	0.24	0.58
EPS Adj. Fully diluted	n.s.	n.s.	-0.74	-0.38	-0.13	0.26	0.61
DPS	n.s.	n.s.	0.00	0.00	0.00	0.00	0.00
Payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE (after tax)	7.5%	3.3%	-2.8%	-1.9%	2.9%	9.5%	14.8%
ROE	9.8%	-1.2%	-64.4%	-59.7%	-37.2%	66.6%	75.6%
Gearing (ND/EV)	56.4%	63.0%	53.8%	54.8%	52.8%	51.6%	48.6%
Net Debt/EBITDA	4.9x	5.8x	5.1x	9.2x	5.5x	3.6x	2.6x

Source: Company data, CaixaBank BPI Equity Research

Market Multiples	EV/EBITDA		P/E	
	24F	25F	24F	25F
Labiana	**7.1**	**4.8**	**n.s.**	**4.5**
Zoetis	20.9	19.2	28.6	25.8
Elanco	10.5	9.9	11.7	10.4
Dechra Pharma	21.0	19.1	29.6	26.5
Virbac	10.0	9.0	18.8	16.6
Vetoquinol	8.0	7.5	15.6	15.5
Phibro Animal	7.0	6.4	8.8	7.9
Animalcare Group	7.6	7.1	13.1	11.6
Eco Animal Health	9.1	8.4	49.8	40.6
Ouro Fino Saude	5.9	5.4	11.8	10.5
Animal	**11.1**	**10.2**	**20.9**	**18.4**
Viatris	5.5	5.6	3.4	3.3
Teva Pharma	6.1	6.0	3.7	3.5
Dr Reddy'S Labs	11.4	10.8	18.0	17.2
Sun Pharma Ind.	21.0	18.4	30.5	26.0
Cipla	15.7	14.2	25.5	22.7
Human	**11.9**	**11.0**	**16.2**	**14.6**
Lab. Reig Jofre	5.7	4.6	7.1	5.2
Faes Farma	7.4	7.1	10.7	10.4
Iberian peers	**6.6**	**5.8**	**8.9**	**7.8**
Average	**11.1**	**10.3**	**18.7**	**16.6**

Source: CaixaBank BPI ER, Bloomberg

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Disclaimer updated on 06th November 2023

INVESTMENT RATINGS AND RISK CLASSIFICATION (12 MONTH TOTAL RETURN):

	Low Risk	Medium Risk	High Risk
Buy	>15%	>20%	>30%
Neutral	>5% and < 15%	>10% and <20%	>15% and < 30%
Underperform	< 5%	< 10%	< 15%

These investment ratings are not strict and should be taken as a general rule. Risk rating ("Low", "Medium", "High") is defined based on two criteria: Blended cost of equity (relative approach within coverage) and a Qualitative assessment (analyst evaluation of the factors affecting the investment risk, which are not captured by the valuation methodology).

INVESTMENT RATINGS STATISTICS

As of 30th September investment ratings were distributed as follows (1):

	% Total (1)	% IB Services (2)
Buy	49	15
Neutral	36	11
Underperform	5	0
Accept Bid	1	0
Under Revision/Restricted	8	0
Total	100	

(1) The information included in the table is relative to the last recommendation issued as of the mentioned date for each of the companies under coverage.
(2) IB Services refers to the percentage of recommendations within each rating category related with companies to whom CaixaBank Group provided relevant investment banking services within the last 12 months.

Summary of Recommendations

CAIXABANK, S.A.

Portuguese Branch

Edifício Península – Praça do Bom Sucesso,
105 a 159 - Sala 8.1
4050-145 Porto

Madrid Office

Pº de la Castellana, 189, 4º
28046 Madrid

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