

BIODUE

Stable growth since foundation and further growth ahead

IR TOP RESEARCH

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COMPANY DESCRIPTION

BIODUE is among the **leading players in the Italian nutraceutical market**. The Company formulates, manufactures and distributes nutritional and herbal supplements, cosmetics and medical devices on behalf of national and international pharmaceutical players (contract manufacturer) and for its Own Brands: *Pharcos*, *BiOfita* and *Selerbe*. BIODUE is also involved in the production of Private Labels for the retail market (pharmacies, parapharmacies and herbalist's shops).

With over **30 years of market history and 160 employees, the Company closed 2017 with revenues of 35.7 Eu m, +4% vs. FY 2016**. About 12% of revenues are realized outside Italy.

Since listing in 2015, BIODUE has regularly made dividend distributions and for 2017 the Board proposed a DPS of 0.06 Eu for a total of about 0.7 Eu m.

INNOVATION ON FARMACEUTICAL FORMS

BIODUE puts particular focus on the development of innovative pharmaceutical forms: the Company currently holds **9 patents** with national, European and international extension. Worth mentioning is the **REWCAP™**, a patented technology for dosing caps in oral/vaginal medical devices and food supplements, which makes it possible to manufacture highly innovative products provided with any kind of solid phase to mix up to the liquid.

REFERENCE MARKET

The Global market size of nutraceuticals is predicted to reach 340 USD billion by 2024 from 205.39 USD billion in 2015, with a 2016-2024 CAGR of 7.2%.

The Italian market is highly fragmented market, with over 1,800 players, although the 15% (about 270 companies) record revenues over 1 Eu m and represent together 92% of the market.

AIM POSITIONING

Compared to average values of AIM Italia "Healthcare goods & services" Sector, BIODUE shows:

- lower revenues growth rate (+5% vs. +25%);
 - lower EBITDA margin (13% vs. 18%);
 - lower net financial debt in absolute terms (6.3 Eu m vs. 16.2 Eu m);
 - lower market capitalisation (56 Eu m vs. 63 Eu m), free float (22% vs. 30%) and average daily traded turnover YTD (17k Eu vs. 61k Eu).
- The share performance from IPO is positive and above average (+40% vs. +13%).

2018-2020 ESTIMATES

- We believe that BIODUE can grow **revenues** at a 10% CAGR thanks to:
 - well positioning to increase export revenues for Own Brands;
 - consolidation and retention of Industrial segment's customers;
 - expansion of product range (Own Brands).
- **EBITDA** will grow to 9.5 Eu m in 2020 by a 2017-2020 CAGR of 27%, with **EBITDA margin** of 20% in 2020, following the increase in efficiencies from recent investments in production and logistics, higher contribution of Own Brands and fixed costs that are spread over higher volumes.
- We have estimated **total Capex** over the period of 7.4 Eu m of which 5.6 Eu m in 2018, mainly related to LaBiotre.
- We have estimated a **constant tax rate and dividend pay-out ratio**;
- **Net financial Debt** of 0.2 Eu m at the end of 2020 thanks to a good free cash flow in 2019 and 2020, after important investments in 2018.

VALUATION

We set a **target price of 6.84 Eu p.s.** obtained by applying 2 different approaches, equally weighted:

- 2018-2019 EV/EBITDA multiples comparison with international nutraceutical peers discounted by 28.5% as of AIM Positioning (6.09 Eu p.s.);
- a DCF model (7.59 Eu p.s. with WACC=8.55% and g=1.5%).

Please, read important disclaimer on the last page of this report.

SHARE DATA

Market	AIM Italia
Ticker Bloomberg / Reuters	BIO2 IM / BIO2.MI
ISIN	IT0005108730
N. of outstanding shares	11,148,900
Free float	21.5%
Main shareholder	Benedetti family (60.3%)
Chairman and CEO	Vanni Benedetti

Target Price (Eu)

Target Price (Eu)	6.84
Market Price (Eu)	4.97
Capitalisation (Eu m)	55
Enterprise Value (Eu m)	62
<i>(as of April 11th, 2018)</i>	

AIM Positioning

FY 2017 (Eu m)	Company	AIM Sector*	AIM Italia**
Revenues	36	66	38
Revenues YoY	+5%	+25%	+18%
EBITDA Margin	13%	18%	13%
Net Debt (Cash)	6.3	16.2	9.9
Net Debt/EBITDA (x)	1.4	1.8	3.0
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	56	63	66
Perf. from IPO	+40%	+13%	-2%
Free Float	22%	30%	40%
ADTT YTD (Eu)	16,780	60,826	83,187

Source: Osservatorio AIM Italia and FactSet data as of April 10th, 2018

* Healthcare: BioDue, Bormi Italia, GPI, Health Italia, KOLINPHARMA, Pharamutra

** FY 2016 data. Company's and AIM Sector's FY 2017 data are not yet approved by Shareholders' Meetings

Results & Estimates

Key Figures (Eu m)	16A	17A	18E	19E	20E
Sales	34.5	36.3	40.7	44.0	47.9
Sales YoY growth	+2%	+5%	+12%	+8%	+9%
EBITDA	4.6	4.6	6.8	8.1	9.5
EBITDA%	13%	13%	17%	18%	20%
EBIT	3.4	3.2	4.9	6.0	7.4
EBIT%	10%	9%	12%	14%	15%
Group's Net Profit	2.2	4.1	3.2	3.9	4.8
Net Debt (Cash)	5.5	6.3	7.2	4.2	0.2
EPS (Eu)	0.37	0.28	0.35	0.43	0.53

Source: Company data (IAS/IFRS) for FY 2016-2017 and IR Top Research estimates for FY 2018-2020

Peers Comparison

EV/EBITDA (x)	18E	19E	20E
BIODUE	9.3	7.4	5.9
Nutraceutical peers	14.0	14.0	12.3
Discount/Premium to peers	-34%	-47%	-52%

P/E (x)	18E	19E	20E
BIODUE	17.5	14.3	11.6
Nutraceutical peers	19.9	20.2	18.0
Discount/Premium to peers	-12%	-29%	-36%

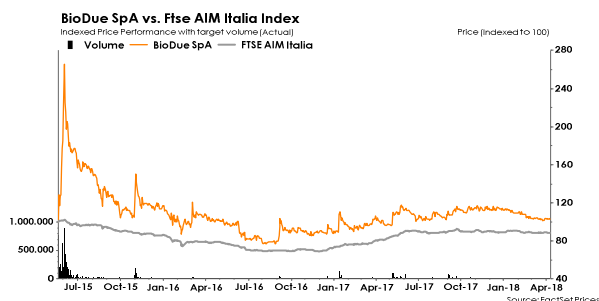
Source: IR Top Research estimates for BIODUE and FactSet data as of April 11th, 2018 for peers

Performance

	1M	3M	1Y
Absolute	-0.6%	-8.6%	+3.1%
Relative (FTSE AIM Italia)	-0.3%	-6.3%	-4.5%
52-week High / Low (Eu)*	5.93 / 4.52		

Source: FactSet data as of April 11th, 2018

* Intraday



AIM ITALIA

Dimension

98 companies
6.5 Eu b of capitalisation

Growth

63 IPOs in 2015-18
3.7 Eu b of capital raised since 2009

Performance

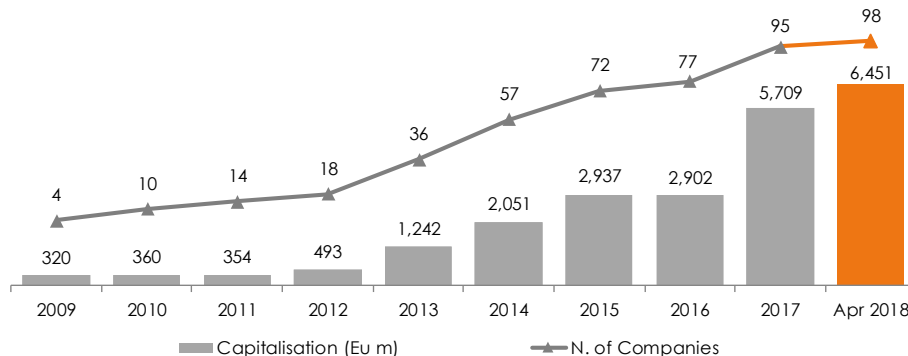
FTSE AIM Italia +22% since 2017

Liquidity

ADTT in 2017 was 120 Eu k vs. 24 Eu k in 2016

AIM Italia, the equity capital market for small growing companies, has grown significantly since 2013: as of April 10th, 2018 the listed companies were 98 for a total capitalisation of 6.5 Eu b.

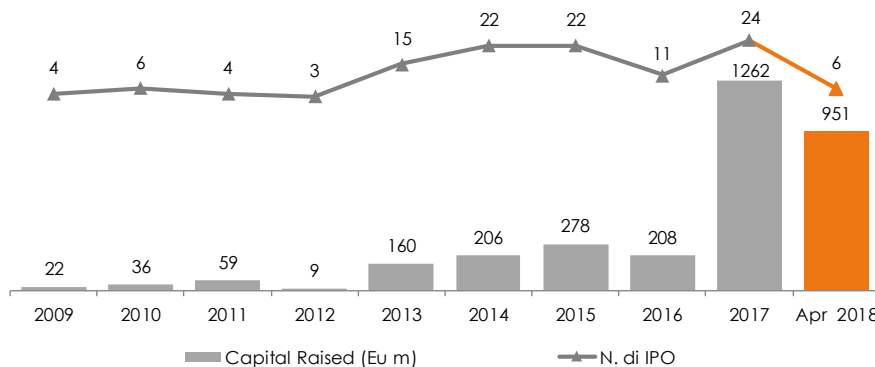
AIM Italia: 2009-2018 market dimension trend



Since 2013 the number of IPO's and the amount raised increased considerably: in 2017 a peak was registered thanks to the listing of 24 new companies and in 2018 there have been 6 IPOs. AIM Italia is more dynamic than the main market (MTA): in 2015-2017, 57 companies listed on AIM Italia, 19 on MTA.

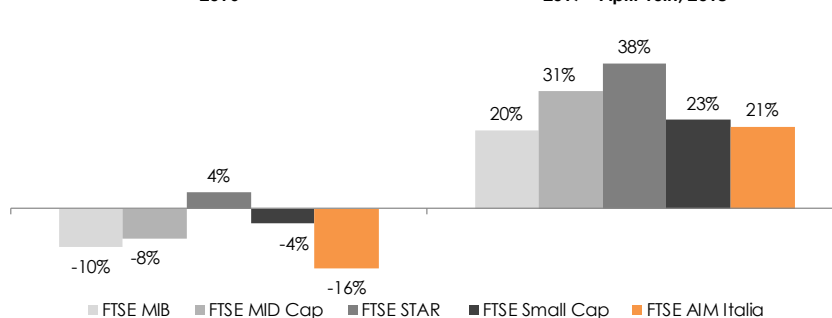
Since 2009, the total equity amount raised in IPO is 3.2 Eu b; including capital increases, warrant exercise and bond subscription, the capital raised is 3.7 Eu b.

AIM Italia: 2009-2018 market growth trend



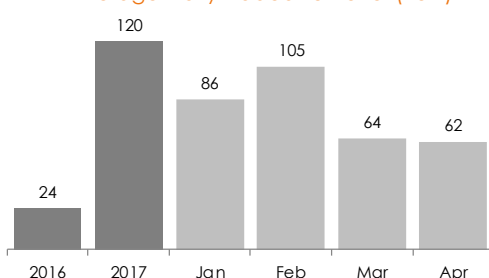
Thanks to the introduction of PIR (Piani Individuali di Risparmio, the italian equivalent of UK Individual Savings Accounts), all the indices highlight positive trends: FTSE AIM Italia has grown by +21% since 2017 vs. -16% in 2016.

FTSE Indices: 2016 vs. 2017-2018 trend (post PIR)

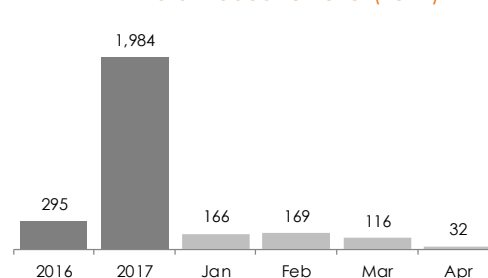


Improving market liquidity after the introduction of PIR: Average Daily Traded Turnover (ADTT) strongly increased in 2017, with an average value among the 95 companies of 120 Eu k (5.1x 24 Eu k in 2016). Total Traded Turnover (TTT) in 2017 amounted to 2.0 Eu b, 6.7x 295 Eu m in 2016.

Average Daily Traded Turnover (Eu k)



Total Traded Turnover (Eu m)



AIM ITALIA BY SECTOR

Finance is the main sector in terms of n. of companies (26%) and capitalisation (43%)

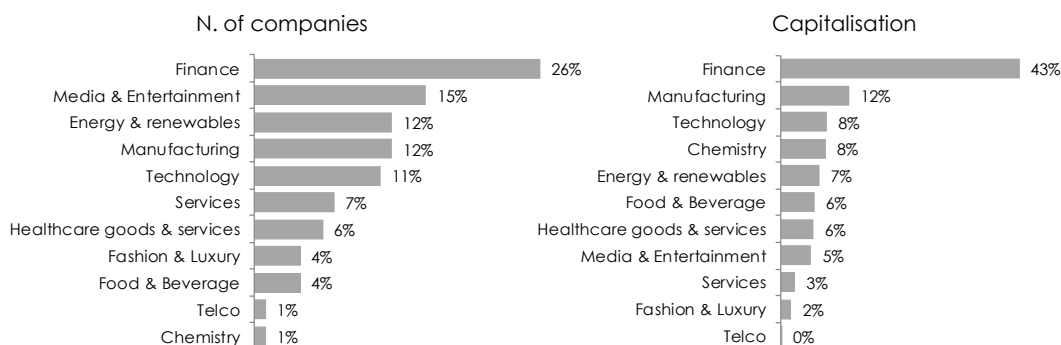
Best share performance since 2017: Chemistry (+86%)

Best yoy 2016 revenues growth: Energy & renewables (+33%)

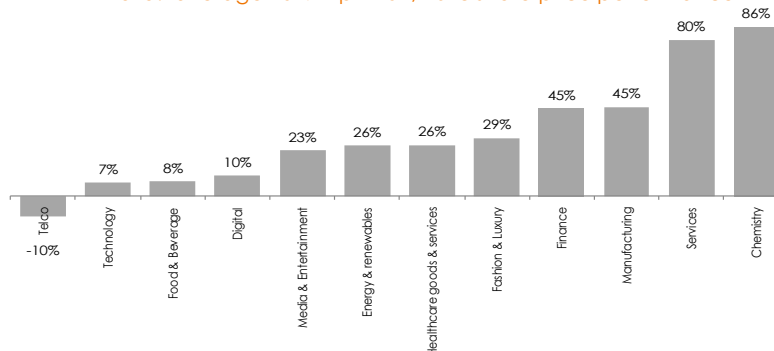
Average 2016 EV/EBITDA multiple: 13.1x

The most important sectors in terms of number of companies are: Finance (26%), Media & Entertainment (15%) and Energy & renewables (12%); main sectors in terms of capitalisation are Finance (43%), Manufacturing (12%) and Technology (8%).

AIM Italia: breakdown by Sector



Chemistry is the sector with the best performance in 2017 (+86%), followed by Services (+80%) and Manufacturing (+45%).

AIM Italia: average 2017-April 10th, 2018 share price performance

In 2016 Food & Beverage had the highest level of average revenues (238 Eu m), followed by Manufacturing (79 Eu m). The best growth yoy was realized by Energy & renewables (+33%), that was the sector that registered also the highest level of indebtedness (26.5 Eu m).

AIM Italia: average 2016 financial data

Sector	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	NFP/EBITDA (x)
Chemistry	5	-40%	16%	(3.3)	(4.1)
Energy & renewables	38	+33%	6%	26.5	14.6
Fashion & Luxury	37	-4%	2%	3.7	0.1
Food & Beverage	238	+4%	10%	18.6	1.7
Healthcare goods & services	54	+32%	17%	5.1	1.6
Manufacturing	79	+4%	12%	14.8	1.7
Media & Entertainment	23	+11%	18%	6.3	0.7
Services	15	+29%	12%	0.2	(1.2)
Technology	21	+31%	16%	3.4	0.8
Telco	6	+21%	39%	2.4	0.9
AIM Italia	38	+18%	13%	9.9	3.0

Excluding Chemistry (represented by 1 company), the first sector in terms of average capitalisation is Finance (110 Eu m), followed by Food & Beverage (97 Eu m). In terms of 2016 EV/EBITDA multiples, Services shows the highest value (17.4x), followed by Technology (16.4x).

AIM Italia: average market data

Sector	N. of companies	Market Cap (Eu m)	Free Float (%)	ADTT YTD (Eu)	EV/EBITDA 2016 (x)
Chemistry	1	517	37%	1,172,566	n.m.
Energy & renewables	12	37	25%	29,828	15.3
Fashion & Luxury	4	31	21%	27,970	8.9
Finance	25	110	70%	138,828	n.m.
Food & Beverage	4	97	47%	97,854	8.6
Healthcare goods & services	6	63	30%	60,826	16.3
Manufacturing	12	66	25%	47,849	11.9
Media & Entertainment	15	23	29%	34,565	9.1
Services	7	24	26%	46,950	17.4
Technology	11	48	39%	73,702	16.4
Telco	1	14	39%	47,241	6.6
AIM Italia	98	66	40%*	83,187	13.1

Source: Osservatorio AIM and FactSet data as of April 10th, 2018
* 32% as median value
n.m. = not meaningful

AIM POSITIONING

Lower revenues growth rate, EBITDA margin and Net Debt within the AIM “Healthcare” Sector

BIODUE positions itself in the AIM “Healthcare goods & services” Sector.

Compared to average values of AIM Italia “Healthcare goods & services” Sector, BIODUE shows:

- lower revenues growth rate (+5% vs. +25%);
- lower EBITDA margin (13% vs. 18%);
- lower net financial debt in absolute terms (6.3 Eu m vs. 16.2 Eu m).

BIODUE is trading at premium in terms of 2017 EV/EBITDA compared to the average of AIM Italia “Healthcare goods & services” Sector.

Within this panel, Health Italia and KOLinPHARMA are “Innovative SMEs”.

AIM Italia “Healthcare goods & services” Sector



FY 2017 Data	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	EV/EBITDA (x)	NFP/EBITDA (x)
BioDue	36.28	+5.3%	12.6%	6.31	13.6	1.38
Bomi Italia	117.89	+16.9%	9.6%	25.55	6.6	2.26
GPI	179.88	+32.1%	14.4%	52.50	4.5	2.03
Health Italia	21.49	+19.2%	30.2%	1.41	11.2	0.22
KOLinPHARMA	4.06	+62.3%	14.8%	2.50	20.7	4.14
Pharmanutra	37.87	+15.3%	25.1%	9.10	14.6	0.96
Healthcare goods & services*	66.25	+25.2%	17.8%	16.23	11.8	1.83
AIM Italia*	38.3	+17.5%	13.2%	9.9	n.a.	3.0

Source: Osservatorio AIM Italia and FactSet data as of April 10th, 2018 for EV
 * Average values (FY 2017 data not yet approved by Shareholders' Meetings for companies and AIM Sector average, FY 2016 data for AIM Italia)
 n.a. = not available

Compared to average values of AIM Italia “Healthcare goods & services” Sector, BIODUE shows:

- lower market capitalisation (56 Eu m vs. 63 Eu m);
- lower free float (22% vs. 30%);
- lower average daily traded turnover year-to-date (17k Eu vs. 61k Eu).

The share performance from IPO is positive and above average (+40% vs. +13%).

Market Data	Market Cap (Eu m)	Free Float (%)	Perf. from IPO (%)	ADIT YTD (Eu)
BioDue	55.5	21.5%	+40.3%	16,780
Bomi Italia	48.6	42.9%	+16.0%	118,556
GPI	63.7	36.6%	+5.8%	57,629
Health Italia	71.3	23.4%	+24.5%	72,574
KOLinPHARMA	10.0	31.7%	-2.4%	33,572
Pharmanutra	129.2	22.5%	-4.6%	65,848
Healthcare goods & services*	63.1	29.8%	+13.3%	60,826
AIM Italia*	65.8	39.9%	-1.6%	83,187

Source: Osservatorio AIM Italia and FactSet data as of April 10th, 2018
 * Average values

REFERENCE MARKET

BIODUE operates in the nutraceutical market both in Italy (Industrial segment, Own Brands and Private Labels) and abroad (own brand *Pharcos* and indirectly through B2B clients).

Nutraceuticals are globally broadly defined as **foods and beverages, including functional foods and food supplements derived from natural bioactive compounds**. They add health benefits to the basic nutritional value in foods and are primarily used to promote health and wellness or to prevent and treat disease.

The Global market size of nutraceuticals is predicted to reach 340 USD billion by 2024 from 205.39 USD billion in 2015, with a 2016-2024 CAGR of 7.2%. Main market drivers are aging population, rise in disposable income, increasing healthcare awareness, higher incidence of allergies and intolerance and demand from emerging Economies.

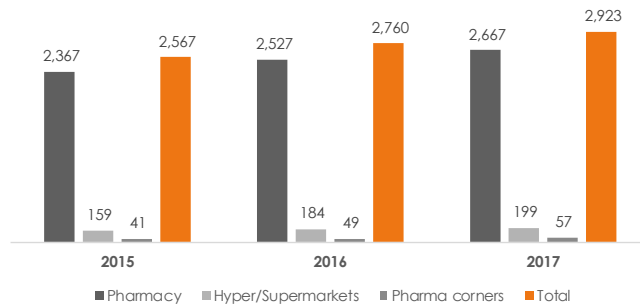
Source: variant market researches

In Italy the nutraceutical market was worth about 3.0 Eu b in 2017, +5.9% vs. 2016 and with a 2015-2017 CAGR of +6.7%. With a pro-capita expenditure of 41 Eu, Italy is one of the most mature market in Europe, well above markets like Germany (21 Eu), France (12 Eu), Belgium and Austria (33 Eu), Switzerland (21 Eu).

Source: QuintileIMS – "Nutraceuticals: driving Consumer Health market growth"

Pharmacies represent the most important distribution channel with 91.2% of total sell-out. Other distribution channels are hyper/supermarkets and pharma corners. In recent years the market has also seen a growing propensity towards the e-commerce channel.

Nutraceuticals' sell-out in Italy by channels
(Eu m, 2015-2017)

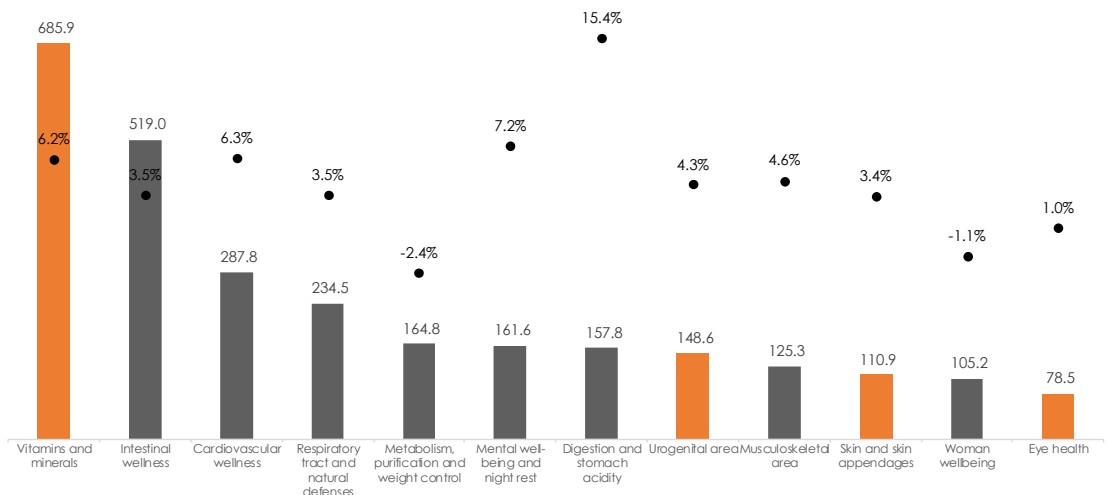


Source: FederSalus – "Mercato degli integratori: dinamiche aggiornate dicembre 2017"

In the choice of use of nutraceuticals the advice of doctors and pharmacist is fundamental to the consumer: 38% receive advice from doctors and 37% from pharmacists.

The nutraceutical market is divided in functional areas; with the most important areas, in terms of total sell-out, being vitamins and minerals (23.5% of the total market), followed by intestinal wellness products, mainly probiotics (17.8%), and products for cardiovascular wellness (9.8%). In 2017 digestion and stomach acidity registered the highest yoy growth (15.4%), before products for mental wellbeing and night rest (+7.2%).

Nutraceuticals' sell-out in Italy by top product typologies
(2017: Eu m and Var. % y/y)



Source: FederSalus – "Mercato degli integratori: dinamiche aggiornate dicembre 2017"

Top three areas cover above 50% of total market

**Main market driver:
increasing awareness of
prevention and well-being**

MARKET DRIVERS

Main market drivers in the industry are

- Development of the culture of prevention and well-being: especially in Western countries, food supplements has become part of a lifestyle choice, thanks to the increasing awareness on the key function of minerals, vitamins and other natural substances;
- with a declining ethic segment, nutraceuticals represent an alternative for pharmacies to differentiate the offer by focusing on the most dynamic segment of the commercial market;
- increasing number of distribution channels allowing greater accessibility (e-commerce);
- social-demographic trends: aging population and rise in disposable income (middle class growth).

**COMPETITIVE LANDSCAPE IN
ITALY**

The supply side of the nutraceutical sector in Italy involves two types of companies:

- multinational pharmaceutical companies, for which nutraceuticals are not core (Pfizer, Sanofi, Bayer, Sofar, BASF, ... etc.);
- smaller Italian nutraceutical players.

Companies specialized in R&D and production for third parties (contract manufacturing) represent an important group in the Italian nutraceutical with 16% (1,745 Eu m) of the industrial turnover. The rest of the market is covered by producers of Own Brands (73%) and raw material suppliers (11%). Contract manufacturing is particularly important in the strictly regulated nutraceutical sector where food supplements cannot be produced in the same production plants as pharmaceuticals.

Source: FederSalus – "Terza indagine di settore 2017. La filiera italiana degli integratori alimentari"

BIODUE'S POSITIONING

In Italy there are about 1,800 players in the nutraceutical market (companies which distribute through the pharmacy and parapharmacy channels). Only **15% (about 270 companies) record revenues over 1 Eu m and represent together 92% of the market.**

BIODUE has relevant market shares in Italy, especially in the production for third parties: the Company is **in the top 10 in the personal care food supplements market (Industrial division)**, with a market share of 5.2% in the Italian food supplements market.

BIODUE's business unit	Sector	BIODUE's sales of food supplements in Italy (Eu m)	Italian market (Total sell-out, Eu m)	BIODUE's market share
Industrial	Contract manufacturing	12.2	189.8	6.4%
Pharcos	Skin & skin appendages	4.4*	110.9	4.0%
BiOffta	Eye health	3.1*	78.5	4.0%
Total		19.7	379.2	5.2%

Source: BIODUE's management
FederSalus – "Mercato degli integratori: dinamiche aggiornate dicembre 2017"

* Based on retail prices

GROUP PROFILE

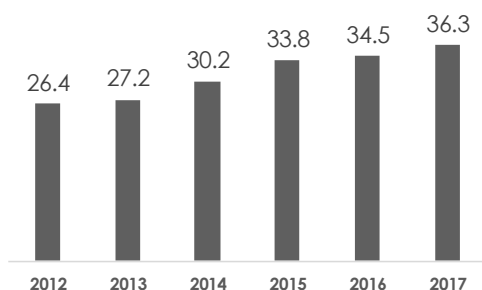
BIODUE, is among the major players in the Italian nutraceutical market. The Company formulates, manufactures and distributes nutritional and herbal supplements, dermocosmetics and medical devices on behalf of national and international pharmaceutical players (contract manufacturer) and for its Own Brands: *Pharcos*, *Selerbe* and *BiOffa*. The Company is also involved in the production of private labels for the retail market on behalf of pharmacies, parapharmacies and herbalist's shops).

BIODUE, founded in 1986 by Sion Fulvio Benedetti and listed on AIM Italia since May 2015, operates in **5 proprietary industrial plants** (4 productive and 1 for logistics) for a total of 17,000 sqm located in Tavernelle Val di Pesa (Tuscany) and has currently **160 employees**.

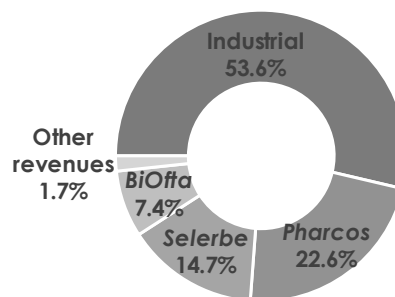
BIODUE operates with a highly **vertically integrated business model**, where all phases in the value chain are carried out directly by BioDue SpA or by group affiliates, in order to have total control of quality of raw materials and production and delivery times.

After constant growth in the last five years, BIODUE closed 2017 with a total turnover of 36.3 Eu m (2012-2017 CAGR +6.5%) of which about 12% were realized outside Italy, although a higher share is distributed in export markets indirectly through Industrial clients. The Board resolved to distribute a dividend of 0.06 Eu per share, for a pay-out ratio of 16.2% (0.06 p.s. and pay-out ratio of 30.3% in 2016).

Revenues growth 2012-2017 (Eu m)



2017 FY total Sales breakdown by business unit (36.3 Eu m)

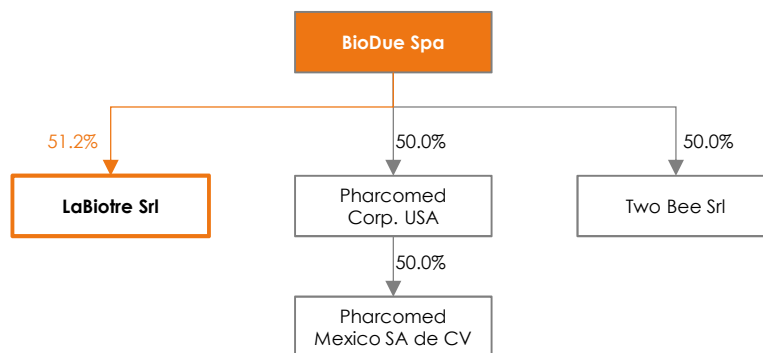


GROUP STRUCTURE

In the last two years BIODUE has undergone a modernization process with important investments (Capex of 7.3 Eu m in 2016-2017) along the whole value chain, aiming at increasing production capacity, IN/OUT logistics and efficiency.

This period was concluded with the capital increase in LaBiotre in December 2017, which brought the Company to increase its share in LaBiotre (supplier of vegetal extracts) from 39% to 51.2%. In 2017 the Company further established **three joint ventures**: Pharcomed Corp and Pharcomed Mexico for the distribution of Pharcomed in USA and Mexico respectively and Two Bee Srl in, a JV with Fufarma (IMC group) in Albany to realise a 2,100 sqm plant in Tirana for the production of pharmaceutical capsules and tablets starting from 1H 2018. BIODUE also strengthened its managerial structure through the appointment of four new managers (CFO, the Head of Business Development for the development of growth strategies on new products and markets, the Operation Managers for *Pharcos* and for *BiOffa*).

Group structure



BUSINESS MODEL

BIODUE activities are divided into two divisions:

- the **Industrial division** (53.6% of FY 2017 total sales and 90% of total volumes) is dedicated to the production of liquid and solid food supplements, dermocosmetics, medical devices and herbal products, (drops, capsules, tablets and powders, as well as skin gels and lotions, among others) as a contract manufacturer for national and international pharmaceutical entities, such as Difass, Sakura, Merz Pharma, Dompé, Chemists Research, Probiotal, ... etc.
- **Own Brands division** (44.7% of FY 2017 total sales and 10% of volumes) focuses on the production and marketing of BIODUE's own brands with particular focus on the dermocosmetics and ophthalmology niche segments.



Pharcos (acquired in 1991) is BIODUE's own brand dedicated to dermocosmetics; since early '90s, *Pharcos* has emphasized the application of widely used molecules in dermocosmetic practice, such as essential fatty acids omega-6, glycolic acid, beta-sitosterin, cogic acid, melatonin and DNA repair enzymes.



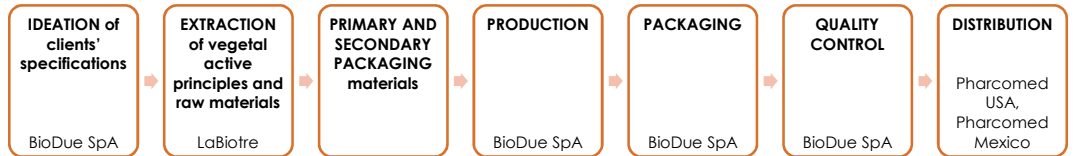
BiOfta is BIODUE's brand, purchased in 2007, dedicated to ophthalmology with products for ocular comfort, food supplements target on each ocular segment and ophthalmic cosmetics.



Selerbe brand (bought in 2010) includes both food supplements, such as phytotherapeutic/herbal products, and tailored production of private labels for pharmacies, parapharmacies and herbalist's shops.

BIODUE is fully vertically integrated, and operates directly through its subsidiaries along the entire value chain. This allows the Company to be flexible and to have **complete control on quality of raw materials and production and delivery times.** The **quality of the products and the reliability of the production process**, certified by **GMP (good manufacturing practice)**, are fundamental to create durable relationships with clients. **For the production of its Own Brands, BIODUE can level of production know how from the Industrial unit, and important economies of scale.**

In particular R&D, production, packaging and quality control are managed directly, the extraction of vegetal active principles is made by LaBiotre (consolidated), primary and secondary packaging materials are supplied by associated companies and distribution is made through the JV Pharcomed (abroad) and a dedicated network of Medical Scientific Informers (MIS) in Italy.



Source: IR Top Research elaboration on Company's presentation

INNOVATION

R&D in BIODUE is focused on innovation and product development and covers several therapeutic areas within the Medical device, cosmetic and food supplement environment. The Company carries out R&D activities both through its R&D team and by involving external consultants; BIODUE also performs its R&D activities through long-lasting collaborations with the University of Florence, the University of Siena and other University sites.

The Company currently holds **9 patents** with national, European and international extension. As a contract manufacturer, the Company manages R&D activities and lab analysis on behalf of its clients. In addition, for Own Brands BIODUE also develops the formulation.

BIODUE puts particular focus on the development of innovative pharmaceutical forms. Worth mentioning is the **REWCAP™**, a patented technology for dosing caps in oral/vaginal medical devices and food supplements, which makes it possible to manufacture highly innovative products provided with any kind of solid phase to mix up to the liquid, with particular reference to microorganisms.

#	Typology	Object
1	Italy patent and extension to European patent	Jajoba oil-containing ophthalmic spray composition
2	Italy patent and extension to PTC patent	Composition for a medical device or for a cosmetic or pharmaceutical preparation comprising a decapeptide derived from <i>Deinococcus radiodurans</i>) RADIODURANS
3	Italy patent	Method for inserting into capsules and protecting substances to be mixed with a solvent before use
4	PTC patent, extension to European patent, Italy and France extension	International request "Compositions for preventing and repairing skin and ocular damages caused by UV radiation" FOTOKER KIT
5	Italy patent	Method for administering food supplements and similia
6	Italy patent, extension to PTC patent, Europe patent with extension to Serbia and Montenegro	Offtalderm scrub as solution for eyelid margin hygiene and a device for its application
7	Italy patent, extension to PTC patent, USA, Europe patent with extension to Serbia and Montenegro, China	Capsule with inverted container - Capsule improved for substances to be mixed when REWCAP is used
8	Italy patent, extension to international patent, extension to European patent	Composition for topical EXTREMOSIO use
9	Italy patent	Ophthalmic composition with periocular application including menthol

Source: BIODUE's management

LABIOTRE

LaBiotre, consolidated as of 2018, is the supplier of BIODUE of botanical extracts and produces the full range of botanic extracts: from liquid extracts (alcohol, glycol, hydroglyceric, etc.) to soft extracts and granular dry extracts. LaBiotre has production system based on high quality regulatory rules (Quality Assurance System) and innovative proprietary technologies. The company supplies botanicals extracts for both the Industrial and Own Brand divisions and is involved in the development of new raw materials.

The investment plan of 4.1 Eu m stated for LaBiotre is aimed at realising a new production plant, increasing production capacity and starting the production of soft gelatine capsules in December 2018.

LaBiotre is owner of the **phytoBilayer LB3® trademark**, which features a series of actives or botanicals, micellar and granular in form, attained with a unique technology developed within its R&D labs and in production. With this specific production process, LaBiotre is able to scientifically guarantee the transition from crystalline to micellar, with consequent benefits in terms of bioavailability and pharmacokinetics. The complex obtained is substantially similar to the biological membranes with which it interacts by effectively carrying the active substance. Technology can be applied to actives of varying nature and structure, even after a specific client request.

PRODUCTION

The production process takes place in BIODUE's 4 industrial plants, located within a range of 5 km from each other, and which currently include over **130 product lines** grouped by typology within each plant in order to fully exploit production synergies. The whole production process is characterised by **high quality and safety standards**, in accordance with European and USA regulations (GMP certification and FDA registration). BIODUE uses innovative production technologies that allows the Company to offer highly customised products, in order to fit client's requirements.

QUALITY

The whole production process is characterised by **high quality and safety standards**, in accordance with stringent European and USA regulations (GMP certification and FDA registration).

Registrations/authorisation of BIODUE's production plants

Regulation EC 852/2004 , article 6, paragraph 3, letter a) Registration n. IT 09048045 00124	It ensures food safety throughout the food chain, starting with primary production: "every food business operator shall notify the appropriate competent authority, in the manner that the latter requires, of each establishment under its control that carries out any of the stages of production, processing and distribution of food, with a view to the registration of each such establishment".
Italian Decree Law 158/2012, converted with Law 189/2012	BIODUE's production plants are on the Ministry of Health's list of authorized plants for the production and packaging of foods for particular nutritional uses, enriched foods and food supplements.
Italian Ministerial Decree 10/16/2008, Official Journal 11/5/2008, general series 259	
Other specific Ministerial Authorizations	Issued by the Department of Prevention U.F.C. Veterinary public health and food safety of regional ASLs for the production types powders, capsules, liquid tablets.
GMP (good manufacturing practice) certification according to European rules and the Code of Federal Regulations (CFR), Title 21, Volume 2, part 111, April 1 st , 2014.	It guarantees quality and safety standards in manufacturing, packaging, labelling or holding operations for dietary supplements. All sites on the Italian territory are regularly inspected, in order to guarantee consistency in the manufacturing process of medicinal products and an adequate pharmaceutical quality of the finished dosage form. A GMP certification scheme provides independent verification and certification that the basic manufacturing practices and prerequisites necessary for the implementation of an effective Hazard Analysis Critical Control Point (HACCP) food safety program are being followed.
USA Food and Drug Administration (FDA) Registration n. 10725095718	The FDA Food Safety Modernization Act (FSMA), requires that facilities engaged in manufacturing, processing, packing, or holding food for consumption in the United States submit additional registration information to FDA, including an assurance that FDA will be permitted to inspect the facility at the times and in the manner permitted by the FD&C Act. Section 415 of the FD&C Act, as amended by FSMA, also requires food facilities required to register with FDA to renew such registrations every other year, and provides FDA with authority to suspend the registration of a food facility in certain circumstances. Specifically, if FDA determines that food manufactured, processed, packed, received, or held by a registered food facility has a reasonable probability of causing serious adverse health consequences or death to humans or animals, FDA may by order suspend the registration of that facility.
Italian Ministerial Authorizations	<ul style="list-style-type: none"> ▪ for the production of food intended for a particular diet (Legislative Decree 111/92) also in compliance with the requirements of the FEDER-SALUS (National Federation of Health Products Manufacturers) Qualification Program; ▪ for the production of cosmetics; ▪ as an operator for preparation and packaging of products from organic farming.

Moreover, the Company adopts a quality system that complies with the following standards:

BIODUE's certifications

UNI EN ISO 22716:2008	for good manufacturing practices of cosmetics
UNI EN ISO 13485 (released by Bureau Veritas Italia SpA in March 2018)	The certification regards the management of the entire production and distribution chains organisation, from raw materials procurement to production, traceability, logistics, human resources and contracts management. This certification, recognised worldwide, is necessary to register and sell these medical devices in new important markets with interesting opportunities, such as Russia, Saudi Arabia, Yemen, Arab Emirates and Lebanon.

DISTRIBUTION MODEL

INDUSTRIAL DIVISION

The products for the Industrial segment are distributed directly to customers (130 in FY 2017) and are mainly marketed through the channel of pharmacies and parapharmacies. Clients interface with a technical sales team for the domestic and foreign markets.

OWN BRANDS AND PRIVATE LABELS

Demand for BIODUE's Own Branded products is induced by medical prescription ("white recipes").

Pharcos and BiOffa in the domestic market

Pharcos and *BiOffa* products are sold through a network of just above **40 Medical Scientific Informers (exclusive agents paid on commission) headed by 4 area managers. The MSIs target directly the medical profession, who prescribe products to patients.**

The network is structured to reach 100% of 4,000 Italian dermatologists (100% of total) and 50% of 8,000 Italian ophthalmologists (50% of total). The Company has created a **web portal** for the sale of *BiOffa*'s products to patients with chronic diseases.

Selerbe and private labels

Products branded *Selerbe* are distributed through a network composed of more than **50 MSIs (both exclusive and non-exclusive and paid on commissions)** that promote directly to pharmacies, parapharmacies and herbalist's shops nationwide.

Outside Italy *Selerbe* products are sold through **partnerships with local operators in Europe.**

As regards private labels, they act directly on the end customer, building loyalty to the single pharmacy, parapharmacy or herbalist's shops.

Export

Pharcos is currently the only brand with a dedicated sales network for export, which includes:

- **Pharcomed Corp. USA** (JV 50/50% with Group Suco International Corp., previously distributor of *Pharcos* products in the US) with exclusive distribution rights in the United States and, through local distributors, in Santo Domingo, Colombia, Bolivia, Ecuador and Dominican Republic;
- **Pharcomed Mexico SA de CV**, with exclusive distribution rights in Mexico;
- **partnerships with local distributors in Europe, Asia and Arab countries.**

CLIENT BASE

BIODUE's client base is divided in **three types of clients**:

- Medium/large pharmaceutical companies (Industrial business unit) (130 B2B customers in FY 2017)
→ **Thanks to innovative and flexible production technologies and tailor made products, BIODUE has long-lasting partnerships with its clients, that present a very low churn rate.**
- pharmaceutical wholesalers for Own Brands.
- pharmacies, parapharmacies and herbalist's shops for *Selerbe* division, private labels included.

With the top ten clients generating approximately 37% of revenues (top 30 clients 62%), client concentration is rather low. 34 customers with total sales above 100.000 euros generate 85.6% of total sales.

STRATEGY

Focus on growth in the Own Brand segment whereas consolidating the Industrial segment to benefit from production synergies

- **Grow revenues in the Own Brand segment while consolidating the Industrial division, in order to fully benefit from economies of scale and increase profitability**
- **Internationalization** through distribution and/or productive joint ventures with local players;
- **Focus on growth of LaBiotre through investments for the upgrade and construction of a new production plant with state-of-the-art technologies (industry 4.0), which will allow an increase in production capacity as well as entry into the softgel manufacturing segment**
- **Exploit innovative patents (REWCAP™ and others) to enter new geographical markets** through a two step approach that includes in a first phase the licencing to clients of innovative technologies, and then enter directly once the proprietary technology is renown in the new market.
- The company is planning **to move from the AIM Italia market to the main market (STAR segment)** within 2018.

OPPORTUNITIES

- **High expected growth of the nutraceutical industry** which also that represent an opportunity for pharmaceutical companies to diversify, in order to meet the growing needs of the consumer market.
- **Strong focus on R&D and continuous product innovation**, the Company can level on its 9 patents and 155 trademark to penetrate new geographical markets
- **Full vertical integration of the Company** from R&D, to production process and distribution; this allows BIODUE to have full control of procurement and delivery timings and to have **high economies of scale**.
- **Strong customer loyalty** thanks to the high level of tailored production thanks to innovative technologies
- **After recent JVs and partnerships BIODUE** is well positioned to increase market share in export markets (Own Brans division)
- Appeal of nutraceuticals "Made-in Italy"

MAIN RISKS

- The success of the Company is in part related to the **quality ability of the Italian salesforce (MSIs) to communicate efficiently with the medical profession and Pharmacists...**
- **High competition in the nutraceutical industry**: possible entrance of new competitors in the market
- Risks resulting from side effects, production defects and non-compliance with the technical and contractual specifications of its products
- Reputational risk: related to the legal qualification of relationships with MSIs, as well as to any unfair commercial practices carried out by them
- **Regulatory limitations** on new products and regulatory changes in the reference market

OWNERSHIP

BIODUE is owned by Benedetti family (60.3%)

Lock-up agreement on 86.6%

Free float is 21.5%

BIODUE is owned by Benedetti family, which holds overall 60.335% of outstanding shares. The share capital subscribed and paid up is 4,005,540 Eu, made up by n. 11,148,900 ordinary shares without nominal value.

On August 3rd, 2017 the main shareholders Vanni Benedetti, Ruffo Benedetti and Pierluigi Guasti signed a **lock-up agreement** on their ordinary shares (9,659,520 overall, equal to 86.64% of BIODUE's share capital) for a period of 18 months (until January 31st, 2019). These agreement was concluded in order to give to the market a signal of stability of the ownership of the Company and to confirm the intention of the shareholders mentioned above to take together the process involving the transition from AIM Italia to MTA (Mercato Telematico Azionario) market - STAR segment.

Free float is 21.521%.

Shareholder	N° of shares	%
Vanni Benedetti	4,146,120	37.189%
Ruffo Benedetti	2,580,560	23.146%
Pierluigi Guasti	2,022,840	18.144%
Market	2,399,380	21.521%
Total	11,148,900	100.000%

Source: Company data as of August 4th, 2017

GOVERNANCE

6 Board members, none of them Independent

List vote: 5% of share capital.

The Board of Directors has 6 members, none of them is Independent.

Vanni Benedetti – Chairman and CEO

Born in 1968, he had several work commitments: Sole Director of the real estate company Benedetti & Associati Srl until September 2009, Board Member of the pharmaceutical company Bioethical Srl until March 2005 and of the herbal company Solae Herbae Srl until October 2009. He was an institore at Farmoteca Srl, logistics company for the pharmaceutical sector, until 2010 and a Board Member at the accounting management and marketing services company BioDue MKT Srl.

Vanni Benedetti has thus developed a significative experience in the management of production plants, processes and in the business strategy.

Board Director since 1993, CEO and President from 2010, majority shareholder, Board Director in the correlated companies Punto Pack Srl and Printingpack Srl, as well as owner of an agricultural enterprise active in the cultivation of official plants and oil fruits for pharmaceutical purposes. He has a deep experience in the cosmetic and dietary food markets. His vision determines BIODUE's strategy and he is also involved directly into the investments and the realization of new manufacturing plants and processes and into the development of new products.

Ruffo Benedetti – Vice-Chairman

Born in 1964, in 1990 he graduated in Political Science at the University of Florence. From 1991 until today, he has been Managing Director and Associate at BioDue SpA. As Commercial Director of *Pharcos* and *BiOfita* brands, he manages the exclusive agents and has expertise in project management, marketing and sales.

Marco Ulivagnoli – BoD member

Born in 1960, Director with responsibility for investor relations and financial director. 25 years of investment banking experience in leading national banks, with roles as BoD member in investee companies and member of technical committees for investment in private equity funds. He is currently a partner of a venture capital company. Degree in Economics and Business with honors cum laude. Fluent English.

Enrico Russo – BoD member

Born in 1985, Board Director since 2010, University degree in Pharmaceutical and Chemical Technologies in Naples. In 2008 he becomes the Quality Control Manager of *Selerbe*. Since 2012 he coordinates *Selerbe* sales network and manages the selling strategy of *Selerbe*. He has a deep knowledge of dietary food products and he is involved directly into *Selerbe*'s new products development.

Roberto Nisica – BoD member

Born in 1965, from 1987 to 2006 he worked for Bormioli Rocco SpA, becoming the Production Manager of plastic division. From 2007 to 2010 he was CEO and Chairman of Solae Herbæ Srl. Since 2007 he is Board Director and Vice-Chairman of Punto Pack Srl. Since 2010 he is Board Director of BioDue, managing the division of plastic packaging.

Luca Sforazzini – BoD member

Born in 1975, Board Director since 2010. He developed a deep experience as Production Manager of liquid dietary foods from 1998 nowadays. He manages all company's production plants and coordinates the workforce, with a strong effort on the Quality Assurance System.

Emanuele Angelloffo – CFO

Born 1974, University degree in Economics in Florence, Master in International Tax Law, Chartered Accountant, Chief Financial Officer. He started his career as a professional, working as an expert in tax law and developing a deep knowledge in management control. Since 2010 he works in BioDue as tax, finance and accountant manager, with a strong focus on the company reporting system.

FY 2017 RESULTS

FY 2017 RESULTS

After the transition to IFRS with 1H 2017 financial statements, FY 2016 results have been restated to reflect the new accounting principles. Furthermore, following the increase in share in LaBiotre to >50% in December 2017, consolidated financial statements have been prepared for the first time, and include:

- BioDue SpA (parent company);
- LaBiotre Srl 51.2%, fully consolidated as of December 31st, 2017 (no effects on P&L);
- JV Pharcomed Corp. USA 50% consolidated through the equity method;
- JV Two Bee 50% consolidated through the equity method.

BIODUE closed FY 2017 with **total sales of 36.3 Eu m (+5.3% vs. FY 2016)**. In particular, the **Own Brand division showed a strong performance**, +10% vs. FY 2016 to represent 44.7% of total sales (42.7% in 2016), in line with Management's strategy to favour this segment. The industrial segment reported revenues of 19.5 Eu m, slightly below those in FY 2016 (-0.5%). *Pharcos* increased by 5% to 8.2 Eu m, mainly thanks to an increase in export sales to the JV Pharcomed Corp. *Selerbe* generated revenues of 5.3 Eu m, +19.9% yoy; the growth was mainly to be attributed to sales in to "Private Label" customers. Revenues of *BiOffa* increased by 9.2% to 2.7 Eu m due to increase of penetration in the channel of ophthalmologist's specialists. Royalties from REWCAP™ licencing amounted to 56 Eu k. In addition, extraordinary sales were made of REWCAP™ machines built in economy, for 0.3 Eu m to be sold on the Chinese market.

Revenues realized outside Italy were up by +9.2%, with an increase as a percentage of total sales from 11.2% in FY 2016 to 11.8%, thanks above all to an increase in revenues from Own Brands of +83% (1.3 Eu m vs. 0.7 Eu m in FY 2016).

EBITDA came in at **4.6 Eu m** largely in line with FY 2016 result (4.6 Eu m) and with an EBITDA margin of 12.6%, 89 bps below previous year (13.5%) after a delay in production during the restructuring of the production and logistics areas, that marked the exercise, and an increase in personnel (+6.9% yoy) and services costs (+6.1% yoy) related to the strengthening of the commercial network.

D&A increased to 1.4 Eu m (vs. 1.3 Eu m in 2016), as a result of the important investment program (7.3 Eu m in 2016-2017 to increase production capacity and logistics' modernisation). **EBIT** was **3.2 Eu m** (EBIT margin 8.7%), down by 5.6%.

Group's Net profit increased to **4.1 Eu m** vs. 2.2 Eu m in 2016, after a 2.0 Eu m extraordinary income from the revaluation at fair value of the share previously held in LaBiotre (IFRS 3).

Eu m – IAS/IFRS	FY 2015A*	FY 2016A	FY 2017A
Sales	33.8	34.5	36.3
Sales YoY growth	+11.7%	+2.0%	+5.3%
EBITDA	4.7	4.6	4.6
EBITDA%	13.9%	13.5%	12.6%
EBIT	3.6	3.4	3.2
EBIT%	10.8%	9.7%	8.7%
Group's Net Profit	2.4	2.2	4.1

Source: Company data (IAS/IFRS)
* OIC, IAS/IFRS transition in 2017 (2016 restated)

Net Working Capital increased from 7.2 to 9.7 Eu m from the combined effect of an increase in inventory (+1.6 Eu m), after a change in supply policies for packaging materials, and for longer payment terms granted to the JV Pharcomed for the penetration of the US market.

Eu m – IAS/IFRS	FY 2016	FY 2017
Trade receivables	9.9	11.3
<i>DSO</i>	95	104
Inventory	4.3	5.9
<i>DIO</i>	45	59
Trade payables	7.0	7.1
<i>DPO</i>	94	89
Other current assets and liabilities	0.1	(0.4)
Net Working Capital	7.2	9.7

Source: IR Top Research elaboration on Company data (IAS/IFRS)

Group's Equity was of **18.5 Eu m** at year end 2017, after an increase of 3.5 Eu m (15.0 in FY 2016), above all due to the consolidation effect and net profit of the year.

Net financial Debt as of December 31st, 2017 was of **6.3 Eu m** vs. 5.5 Eu m at the end of 2016, after net Capex of 1.3 (gross 2.3 Eu m), share capital increase in LaBiotre of 1.0 Eu m dividends paid of 0.7 Eu m.

In FY 2017 **LaBiotre** recorded revenues of 4.3 Eu m (1.8 Eu m intercompany), +35.9% vs. FY 2016 and an EBITDA of 0.7 Eu m (15.3% EBITDA margin).

Eu m – IAS/IFRS	FY 2015A*	FY 2016A	FY 2017A
Net working capital (NWC)	7.2	7.2	9.7
Fixed net assets	9.5	14.1	17.9
Funds	1.0	0.9	0.9
Net Capital Employed	15.8	20.4	26.7
Net financial Debt (Cash)	1.8	5.5	6.3
Total Equity	13.9	15.0	20.5
Sources	15.8	20.4	26.7

Source: Company data (IAS/IFRS)
* OIC, IAS/IFRS transition in 2017 (2016 restated)

2018-2020 ESTIMATES

Sales '17-'20 CAGR: +10%
EBITDA margin in 2020: 20%

- In the three year period 2018-2020 we believe that BIODUE can grow **revenues** at a CAGR of 10.1%, above market growth, thanks to:
 - well positioning to increase export revenues for Own Brands, after recent investments in sales network (especially in the Americas);
 - consolidation and retention of Industrial segment's customers;
 - expansion of product range (Own Brands).
 Revenues growth in 2018 of 16% from the contribution of LaBiotre.
- **EBITDA margin** in 2018 of 16.6%, up by 404 bps, mainly from the contribution of LaBiotre. We estimate that EBITDA will grow to 9.5 Eu m in 2020 by a 2017-2020 CAGR of 27.5%, with EBITDA margin of 19.7% in 2020, following the increase in efficiencies from recent investments in production and logistics, higher contribution of Own Brands and fixed costs that are spread over higher volumes.
- We have estimated **total Capex** over the three-year period of 7.4 Eu m of which 5.6 Eu m in 2018, mainly (4.1 Eu m) related to LaBiotre and in line with the investment plan stated for LaBiotre (2 Eu m in real estate assets, 1.2 Eu m in plants and 0.9 Eu m in industrial equipment) in order to realise a new production plant, increase production capacity and enter the softgel segment in 2018.
- We have estimated a **constant tax rate** at 30% and a **constant dividend pay-out ratio** of 35%, in line with previous years.
- **Net financial Debt** of 0.2 Eu m at the end of 2020 (vs. 6.3 Eu m in FY 2017) thanks to a good free cash flow in 2019 and 2020, after important investments in 2018.

Our estimates do not include any M&A transactions.

Eu m – IAS/IFRS	2016A	2017A	2018E	2019E	2020E
Total Sales	34.5	36.3	40.7	44.0	47.9
YoY growth	+2.0%	+5.3%	+12.2%	+8.0%	+9.0%
EBITDA	4.6	4.6	6.8	8.1	9.5
Margin	13.5%	12.6%	16.6%	18.4%	19.7%
EBIT	3.4	3.2	4.9	6.0	7.4
Margin	9.7%	8.7%	12.2%	13.6%	15.4%
Pre-tax profit	3.3	5.2	4.8	5.9	7.4
Group's net profit	2.2	4.1	3.2	3.9	4.8
YoY growth	-6.8%	+87.1%	-23.5%	+22.4%	+23.9%
EPS (Eu)	0.37	0.28	0.35	0.43	0.53

Eu m – IAS/IFRS	2016A	2017A	2018E	2019E	2020E
Net working capital (NWC)	7.2	9.7	9.5	10.5	11.6
Fixed net assets	14.1	17.9	21.8	20.9	19.7
Funds	0.9	0.9	1.0	1.0	1.0
Net Capital Employed	20.4	26.7	30.4	30.5	30.3
Net financial Debt (Cash)	5.5	6.3	7.2	4.2	0.2
Total Equity	15.0	20.5	23.2	26.3	30.1
Sources	20.4	26.7	30.4	30.5	30.3

Source: Company data (IAS/IFRS) for FY 2016-2017 and IR Top Research estimates for FY 2018-2020

VALUATION

We value BIODUE through 2 different approaches, equally weighted:

- market multiples comparison (adjusted by AIM positioning) with international nutraceutical peers;
- Discounted Cash Flow (DCF) model.

AIM POSITIONING DISCOUNT/PREMIUM

When using market multiples to determine the fair value of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that measures the positioning of the company compared to the AIM Italia market as a whole and to the relevant AIM Sector .

In partnership with "Osservatorio AIM" (IR Top proprietary database) all companies listed on AIM Italia have been analysed over 4 dimensions:

1. Market Data (capitalisation, liquidity, free float)
2. Financials (growth and profitability)
3. Sustainability (ESG)
4. Transparency (strategic plan)

The Market Data establishes a base discount that runs from 20% to 30%. According to a scoring system, the other 3 dimensions (Financials, Sustainability and Transparency) determine an additional discount/premium in a range of +/- 5%.

Applying the algorithm on BIODUE, we consider fair a discount of 28.5% to international nutraceutical peers based on:

- Market Data discount of 27.5%
- A 1.0% discount as a sum of the scoring for Financials, Sustainability and Transparency.

The figure below summarizes BIODUE's relative positioning for the items considered.

BIODUE's AIM Positioning	AIM Sector		AIM Italia		YES	NO
	<AVG	>AVG	<AVG	>AVG		
Market Data						
Capitalisation	X		X			
Liquidity (ADTT YTD)	X		X			
Free Float	X		X			
Financials						
YoY Revenues growth	X					
EBITDA Margin	X					
Dividend policy					X	
Sustainability (ESG)						
Independent Directors						X
List vote					X	
Relevant Environmental Data						X
Relevant Social Data						X
Transparency						
Strategic Plan						X

Source: Osservatorio AIM Italia and FactSet data as of April 11th, 2018

28.5% discount to international peers multiples according to AIM Positioning

Our valuation yields a Target Price of 6.84 Eu as an average between:

- 6.09 Eu according to multiples analysis
- 7.59 Eu according to DCF model

MULTIPLES

We have used one peer group consisting of international nutraceutical companies. Applying a 28.5% discount (as determined above) on 2018 and 2019 EV/EBITDA median multiples gives a fair value of **6.09 Eu per share**.

	Country	Market Cap (Eu m)	2017 sales (Eu m)	Sales 2017/2016 growth	2017 EBITDA margin	2018E EBITDA Margin
Ales Groupe SA	France	131	241	+0.4%	12.8%	14.4%
Beiersdorf AG	Germany	23,250	7,056	+4.5%	18.1%	17.9%
Comvita Limited	New Zealand	195	102	-6.6%	4.4%	16.0%
Croda International Plc	United Kingdom	6,945	1,568	+3.4%	28.0%	29.2%
Do Day Dream Public Co. Ltd.	Thailand	769	44	+42.1%	26.4%	27.0%
GR. SARANTIS S.A.	Greece	496	343	+4.3%	8.1%	14.6%
Hypera S.A.	Brazil	5,321	1,010	+20.7%	33.5%	33.8%
Korea Kolmar Co., Ltd.	South Korea	1,296	644	+23.9%	10.5%	11.2%
Midsona AB Class A	United Kingdom	254	225	+22.4%	8.7%	10.5%
Naturhouse Health SA	Spain	217	95	-3.2%	30.1%	30.7%
Nutraceutical peers median		633	292	+4.4%	15.5%	16.9%
BIODUE		55	36	+5.3%	12.6%	16.6%

Source: IR Top Research elaboration on FactSet data as of April 11th, 2018

EV/EBITDA (x)	18E	19E	20E
Ales Groupe SA	5.4	14.1	n.a.
Beiersdorf AG	15.5	14.0	12.6
Comvita Limited	11.6	9.8	8.5
Croda International Plc	15.5	14.3	13.4
Do Day Dream Public Co. Ltd.	39.4	26.0	20.5
GR. SARANTIS S.A.	10.9	10.0	n.a.
Hypera S.A.	15.8	14.2	12.8
Korea Kolmar Co., Ltd.	17.0	14.2	12.1
Midsona AB Class A	12.4	10.8	10.2
Naturhouse Health SA	7.1	7.0	6.8
Nutraceutical peers median	14.0	14.0	12.3
BIODUE	9.3	7.4	5.9
<i>Discount/Premium to peers</i>	<i>-34%</i>	<i>-47%</i>	<i>-52%</i>

Source: IR Top Research estimates for BIODUE and elaboration on FactSet data as of April 11th, 2018 for peers
n.a. = not available

DCF

Main assumptions are:

- Risk-free interest rate: 1.78% (Italian 10y BTP yield as of April 11th, 2018)
- WACC: 8.55%
- Perpetual growth: 1.5%

Our DCF valuation yields a target price of **7.59 Eu per share**.

Sum of PV 2018-2023 FCFs (Eu m)	21.99
Discounted Terminal Value (Eu m)	68.99
Total Enterprise Value (Eu m)	90.98
Net financial Debt (Cash) as of December 31 st , 2017 (Eu m)	6.31
Total Equity Value (Eu m)	84.67
Number of outstanding shares (m)	11.15
Fair Value per share (Eu)	7.59

Source: Company data and IR Top Research estimates as of April 11th, 2018

VALUATION SUMMARY

Weighting the 2 approaches equally we set a **target price of 6.84 Eu**, implying an upside of 38% and an implicit 2017 and 2018 EV/EBITDA multiples of 18.1x and 12.2x respectively.

Method	Weight	Price (Eu)
Multiple analysis (2018-2019 EV/EBITDA)	50%	6.09
DCF	50%	7.59
Target Price		6.84

BIODUE ON AIM

+40% from IPO

IPO

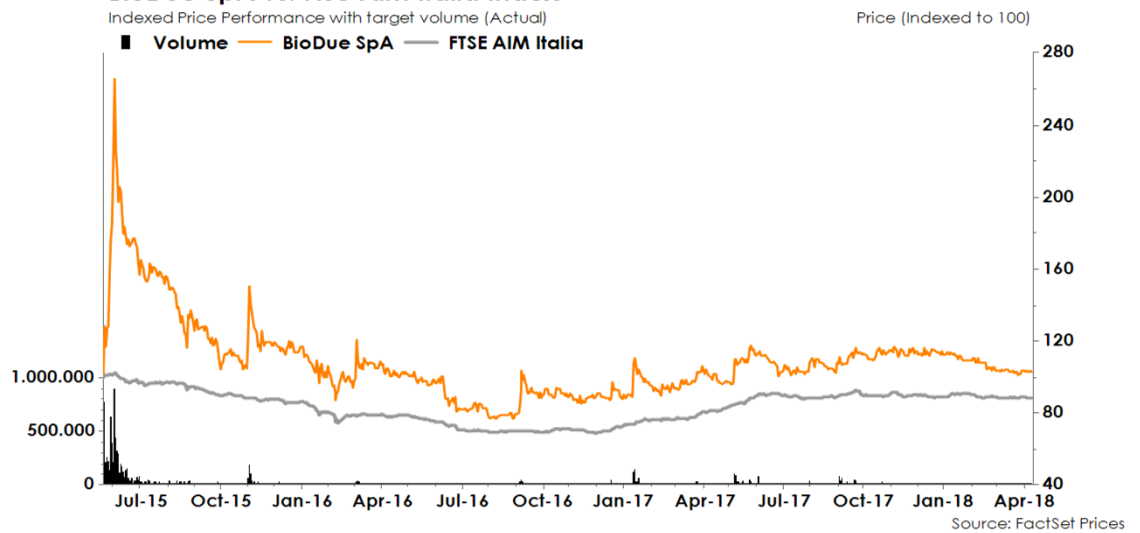
Trading Market: AIM Italia – Borsa Italiana SpA
 Date: May 20th, 2015
 Price: 3.55 Eu
 Capital raised: 4.0 Eu m equity
 Capitalisation: 36.9 Eu m

SHARES (as of April 11th, 2018)

Alphanumeric Code: BIO2
 Ticker Bloomberg: BIO2 IM
 Ticker Reuters: BIO2.MI
 ISIN: IT0005108730
 Outstanding shares: 11,148,900
 Share capital: 4,005,540 Eu
 Price: 4.97 Eu
 Performance from IPO: **+40.0%**
 Capitalisation: 55.4 Eu m
 Free Float: 21.521%
 NomAd: Baldi Finance SpA
 Specialist: Invest Banca SpA

BioDue SpA vs. Ftse AIM Italia Index

Indexed Price Performance with target volume (Actual)



KEY FIGURES

Eu m	2016A	2017A	2018E	2019E	2020E
Profit & Loss Statement					
Total Sales	34.5	36.3	40.7	44.0	47.9
EBITDA	4.6	4.6	6.8	8.1	9.5
EBIT	3.4	3.2	4.9	6.0	7.4
Financial income (charges)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Pre-tax profit	3.3	5.2	4.8	5.9	7.4
Taxes	(1.0)	(1.0)	(1.4)	(1.8)	(2.2)
Total Net Profit	2.2	4.1	3.4	4.2	5.2
Minorities	0.0	0.0	(0.2)	(0.3)	(0.4)
Group's Net Profit	2.2	4.1	3.2	3.9	4.8
Balance Sheet					
Fixed net assets	14.1	17.9	21.8	20.9	19.7
Net working capital (NWC)	7.2	9.7	9.5	10.5	11.6
M/L Funds	0.9	0.9	1.0	1.0	1.0
Net Capital Employed	20.4	26.7	30.4	30.5	30.3
Net financial Debt (Cash)	5.5	6.3	7.2	4.2	0.2
Group's Equity	15.0	18.5	21.0	23.7	27.2
Minorities	0.0	2.0	2.2	2.5	2.9
Total Equity	15.0	20.5	23.2	26.3	30.1
Cash Flow					
EBIT	3.4	3.2	4.9	6.0	7.4
D&A	1.3	1.4	1.7	2.0	2.0
Taxes	(1.0)	(1.0)	(1.4)	(1.8)	(2.2)
Change in M/L Funds	0.1	0.1	0.2	0.3	0.4
Other	(0.1)	0.03	0.02	0.03	0.03
Gross Cash Flow	3.7	3.7	5.5	6.5	7.5
Change in NWC	0.01	(2.5)	0.1	(1.0)	(1.1)
Operating Cash Flow	3.7	1.3	5.6	5.5	6.4
Net Capex	(5.9)	(5.2)	(5.7)	(1.2)	(0.8)
Revaluation at fair value of the share previously held in LaBiotre	0.0	2.0	0.0	0.0	0.0
Financial income (charges)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Free Cash Flow	(2.4)	(2.3)	(0.4)	4.1	5.3
Dividends	(0.8)	(0.7)	(0.7)	(1.1)	(1.4)
Change in Equity	0.0	2.0	0.0	0.0	0.0
Change in Net financial Debt (Cash)	(3.1)	(0.9)	(1.0)	3.0	4.0
Per Share Data					
Current Price		€ 4.97			
Total outstanding shares (m)		11.15			
EPS	0.37	0.28	0.35	0.43	0.53
DPS	0.06	0.06	0.10	0.12	0.15
FCF	(0.21)	(0.20)	(0.03)	0.37	0.48
Pay-out ratio	30.3%	16.2%	35.0%	35.0%	35.0%
Ratios					
EBITDA margin	13.5%	12.6%	16.6%	18.4%	19.7%
EBIT margin	9.7%	8.7%	12.2%	13.6%	15.4%
Net Debt/Equity (Gearing)	36.6%	30.7%	30.9%	15.9%	0.6%
Net Debt/EBITDA	1.2x	1.4x	1.1x	0.5x	0.02x
Interest cover EBIT	-0.05x	-0.1x	-0.1x	-0.04x	-0.03x
ROE	14.7%	22.3%	15.1%	16.3%	17.6%
Free Cash Flow Yield	-4.3%	-4.1%	-0.7%	7.4%	9.6%
Growth Rates					
Total Sales	+2.0%	+5.3%	+12.2%	+8.0%	+9.0%
EBITDA	-1.2%	-1.7%	+48.3%	+19.4%	+17.0%
EBIT	-7.9%	-5.6%	+56.4%	+21.2%	+23.1%
Group's Net Profit	-6.8%	+87.1%	-23.5%	+22.4%	+23.9%

Source: Company data (IAS/IFRS) for FY 2016-2017 and IR Top Research estimates for FY 2018-2020

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