

# Arterra Bioscience SpA: Initial Coverage



## **GROUP 1**

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# Our Recommendation



### Company Overview:

Arterra Bioscience SpA is an innovative green biotech SME based in Naples, Italy, listed on Euronext Growth Milan since 2019. It specializes in sustainable R&D to create active ingredients for cosmetics, nutraceuticals, and medical devices.

Forecast of key items	2024E	2025E	2026E	2027E	2028E
(€ thousand)					
Value of production	4,804.87	5,832.44	6,441.79	7,164.76	7,843.23
growth %	-3%	21%	10%	11%	9%
EBITDA	1,423.02	1,745.27	1,865.55	2,009.28	2,108.68
margin %	29.6%	29.9%	29.0%	28.0%	26.9%
EBIT	936.63	1,133.96	1,095.29	1,415.35	1,428.01
margin %	19.5%	19.4%	17.0%	19.8%	18.2%
CapEx	672.68	816.54	773.01	788.12	705.89
FCFF	-	414.00	542.07	536.82	662.40
growth %			31%	-1%	23%

Method	Price	Weight
DCF	€2.10	90%
Multiples	€2.58	10%

Recommendation: BUY

Target Price: €2.15

### COMPANY PROFILE

Ticker (Refinitiv)	ABIS.MI
Industry	Biotech
Stock exchange	Italian Stock Exchange - Euronext Growth
Reference index	FTSE Italian Small Cap
Price as of 20/11/2024 (€)	1.90
Number of shares (m)	6.33
Free Float (m)	3.10
Market Capitalization (€m)	10.75
IPO Date	28-Oct-19

### Price Performance - 1 Year



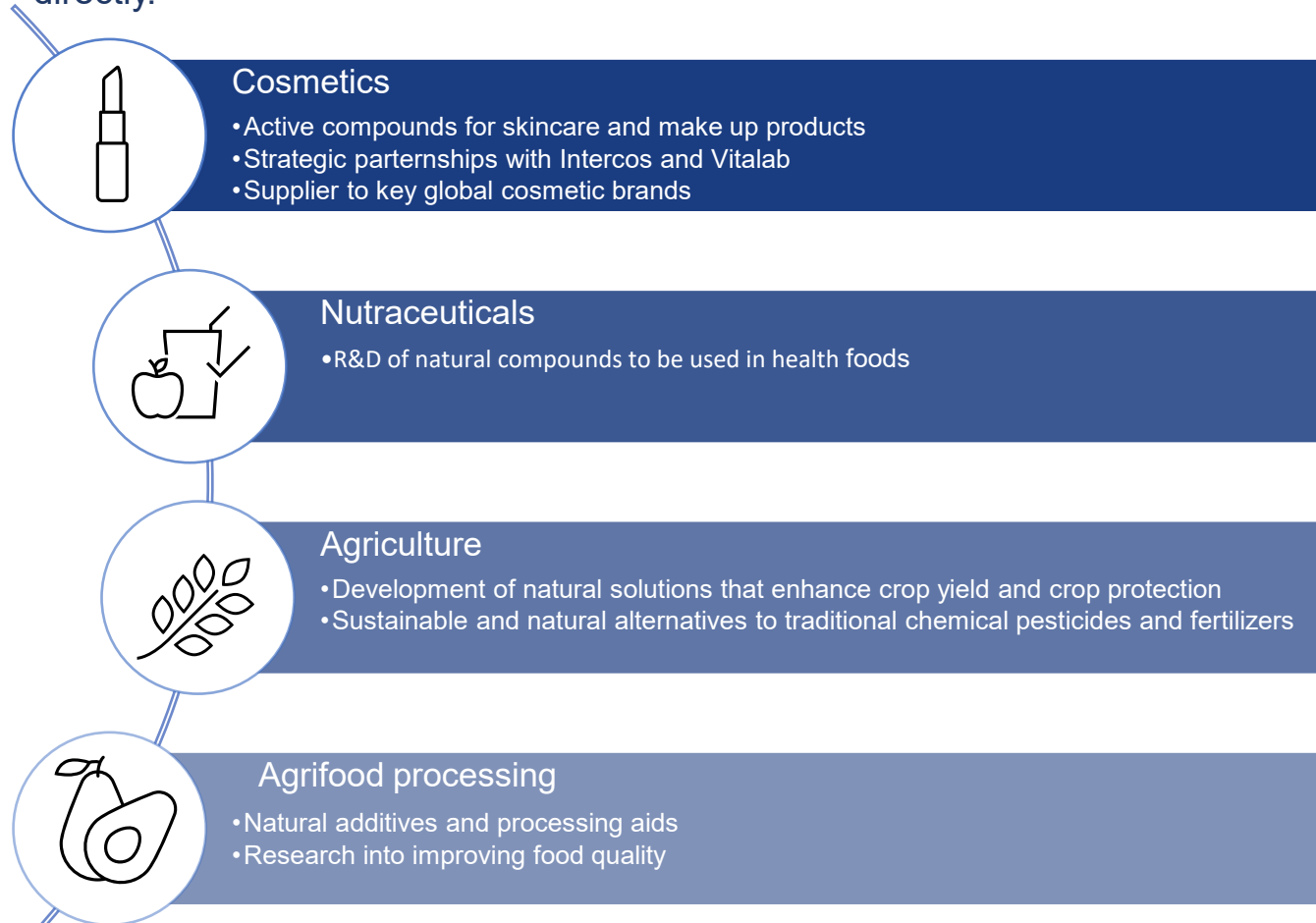
# Business Model Overview



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- Arterra's business model is centered on conducting internal research to develop innovative molecules and ingredients, which are either used for production or sold directly.



## Value Chain

### 1. Order Acquisition

- Orders acquired through research contracts, joint ventures and independent projects.
- Marketing activities to establish connections with potential clients.

### 2. Research and Development Activities

- The Technical Scientific Committee sets priorities for ongoing research
- Successful projects move to commercialization, while non-viable ones are discontinued.

### 3. Commercialization of Research Outcomes

- Outcomes are commercialized through either licensing or production models.
- Intellectual property are transferred directly, or used in joint ventures for profit-sharing and product development.



Business Model Overview



Industry and Competitor Analysis



Past Performance



Model & Valuation



Risks & Conclusion

# Ownership Structure



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## • Shareholder Structure and Strategic Partnerships of Arterra

### Shareholder Breakdown

Listed on Euronext Growth Milan: **October 28, 2019**

- Owned by individual investors, corporations, and investment funds.
- Founder and CEO **Gabriela Colucci** retains **27.9% ownership**.

### Strategic Partnership Intercos:

- Collaboration in 2008 established Arterra as Intercos' **biotech research division for cosmetics**.
- Intercos became a shareholder in **2019** through Arterra's IPO, and currently owns **8.7%** of Arterra, and holds **exclusive rights** to active ingredients for the first year.

### Floating Shares

**45.9%**

#### Main Shareholders

#### Individual

(Gabriela) Colucci 27.9%  
(Paolo) Colucci 6.0%

#### Other Shareholders

(Alberto) Previtali 10.4%

**44.2%**

#### Corporation & Investment Funds

Owned by Investment Funds 1.2%

**9.9%**

### Joint Venture: Vitalab

Ingredients distributed worldwide through **Vitalab**, a joint venture.

### Arterra's Stake:

Owens **25% of Vitalab**, with an option to increase to **40%**.

Receives **40% of Vitalab's distributed income**.

intercos  
G R O U P

Intercos Group owns  
8.7% of Arterra



Arterra Bioscience owns 25% of  
Vitalab, (with an option to own  
40%)



Business Model Overview



Industry and Competitor Analysis



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# Industry & Competition Analysis



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- Overview of the Biotechnology and Cosmetics Markets

## Biotechnology Industry Overview

- **Market Size (2023):** \$1.55 trillion, spanning healthcare, agriculture, cosmetics, and environmental sciences.
- **Projected Growth:** Compound Annual Growth Rate (CAGR) of **13.96%** from **2024 to 2030** highlights rapid expansion.

## Cosmetics Sector Overview

- **2023 Market Size:** \$104 billion, projected to grow to **\$210 billion by 2028**.
- **Biotech Contribution:** Cosmetics represent **17% of the biotech sector as of 2024**.
- **Revenue Growth:** From \$104 billion in 2023 to **\$132.35 billion by 2029**, reflecting a consistent upward trend.
- **Continuous Increase:** Forecasted growth of **+22.04% between 2024 and 2029**.

## Key Growth Drivers

- **Technology Innovations:** Advancements in gene editing, synthetic biology, and sustainable production methods.
- **Consumer Demand:** Shift toward sustainable, eco-friendly, and ethically sourced products.
- **Government Incentives:** Grants and subsidies drive green technology adoption.

## Market Trends

- **Personalized Skincare:** Growth in tailored solutions using gene-based analysis and biotech advancements.
- **Sustainability Shift:** Demand for eco-friendly products aligns with global environmental goals.
- **AI in Biotech:** Enhances discovery processes and accelerates product innovation.



Business Model Overview



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Risks & Conclusion

- Arterra operates in a highly competitive biotechnology sector, focusing on cosmetics and nutraceuticals.

## Competitive Landscape Overview

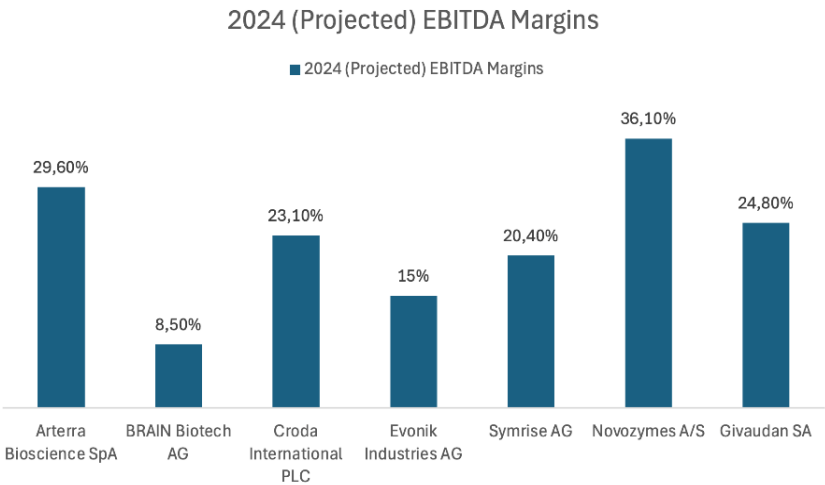
- Novozymes:** Dominates the enzyme market.
- Croda International:** Specializes in specialty chemicals for personal care.
- Symrise AG:** Provides natural raw materials for cosmetics.
- Evonik Industries:** Strong in specialty chemicals with applications in biotechnology.
- Givaudan SA:** Leader in natural products for cosmetics and wellness.
- BRAIN Biotech AG:** A smaller biotech firm with negative profitability over recent years.

## EBITDA Margin Comparison

- Market Leader:** Arterra consistently outperforms peers in profitability.
- 2023 Margins:** Arterra (48%) vs. Novozymes (33%), Croda (24%), Symrise (18%), Givaudan (21%), and Evonik (11%).
- Sustained Growth:** Maintains positive EBITDA since 2004 without venture capital reliance.
- Top 2024 Projection Performer:** Projected EBITDA margin of **29.6%**, second only to Novozymes (36.1%).

## Differentiating Factors

- Sustainability Focus:** Plant-based ingredients and eco-conscious innovations set Arterra apart.
- Grant-Driven Profitability:** Leverages research grants for growth instead of additional funding.



# Industry & Competition Analysis



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- Porter's Five Forces & PESTEL Analysis

## Barriers to Entry: Medium

High capital investment and specialized expertise limit new entrants. Technological advancements enable niche players to emerge, especially in cosmetics.

## Supplier Power: Low

Availability of alternative materials and multiple sourcing options reduce supplier leverage.

## Buyer Power: High

Buyers have significant leverage due to a wide range of options in the cosmetics sector. Market demands push firms to innovate and differentiate consistently.

## Substitution Threat: Medium

Synthetic chemicals and natural products offer alternatives. Strong consumer preference for biotech-derived ingredients reduces substitution risks.

## Internal Rivalry: High

Intense competition drives firms to innovate, focus on quality, and offer competitive pricing. Maintaining a strong market position requires constant technological advancements.

**Political:** Government support in Europe promotes sustainable biotech through funding and favorable regulations.

**Economic:** Rising disposable income boosts wellness spending; economic fluctuations may impact demand.

**Social:** Increased health and environmental awareness drive demand for eco-friendly and sustainable products.

**Technological:** Advancements like precision fermentation and AI accelerate R&D and product innovation.

**Environmental:** Focus on sustainability encourages eco-friendly practices in cosmetics and agriculture.

**Legal:** Strict regulations on transparency, processes, and environmental impact shape industry standards.

## Positioning

**Pioneering Player:** Arterra stands out for sustainable biotech solutions in cosmetics and nutraceuticals.

**Eco-Friendly Innovation:** Combines research, eco-conscious practices, and strategic partnerships to meet growing demand.

**Competitive Edge:** Aligns with market trends and consumer preferences for sustainability.



Business Model Overview



Industry and Competitor Analysis



Past Performance



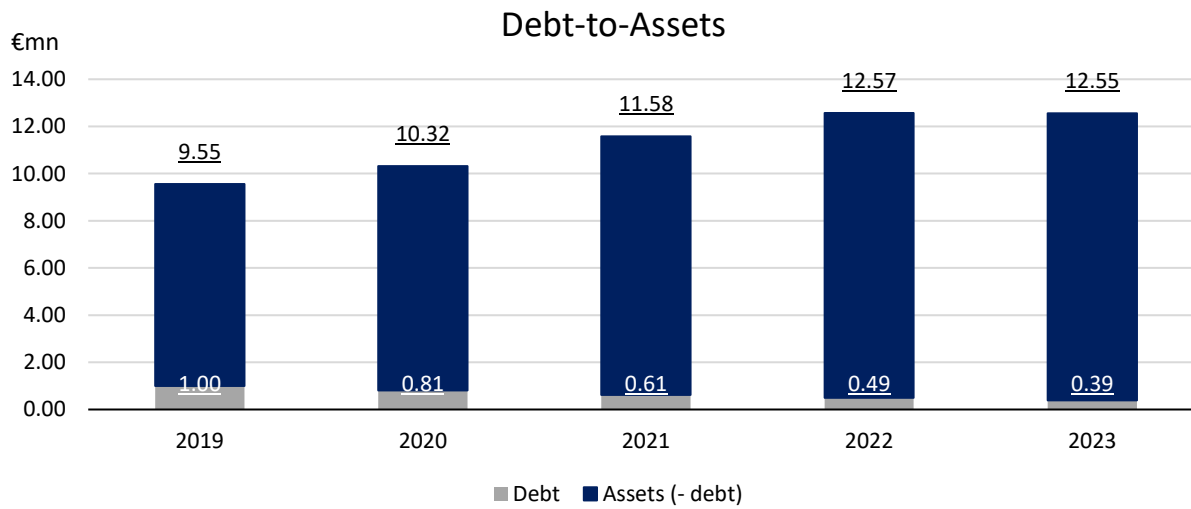
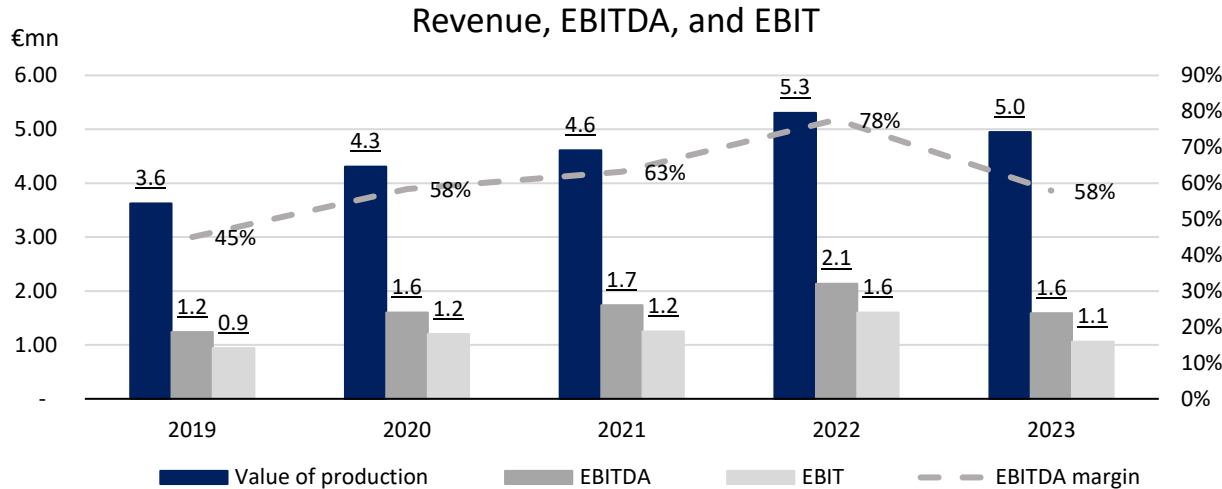
Model & Valuation



Risks & Conclusion



# Past Performance



## High profitability and low leverage:

- Arterra stands out as a profitable, rapidly growing, low leverage biotech company.
- Revenue CAGR (2019-2023): 6.4%
- Net income CAGR (2019-2023): 4.6%
- Increasing gross profit margin: from 87% to 97% from 2019 to 2023
- EBITDA margin declined only in 2023 due to reduced volumes and constant fixed costs
- Declining asset turnover following production capacity expansion
- Current and quick ratios comfortably above one suggest high liquidity and solvency
- Deleveraging effort: debt-to-assets from 10% to 3% from 2019 to 2023

		Arterra Bioscience SpA					Industry 2023
	Ratios:	2019	2020	2021	2022	2023	
Profitability	ROE	22.1%	16.6%	14.4%	16.2%	11.5%	NA
	ROA	13.2%	12.1%	11.4%	13.3%	8.4%	NA
	Gross Margin	87%	88%	93%	90%	91%	44.9%
	EBITDA Margin	45%	58%	63%	78%	58%	-22.5%
Efficiency	Asset turnover	0.38	0.42	0.40	0.42	0.39	0.39
	Inventory turnover	3.93	3.34	3.64	2.04	1.61	2.93
	Receivables turnover	1.22	1.22	1.30	1.22	1.20	4.20
	Payables turnover	3.59	4.84	8.78	7.67	9.23	4.89
Liquidity	Current	6.18	7.68	6.94	8.52	9.40	2.10
	Quick	4.42	4.74	4.57	4.25	5.19	1.53
Capital	Debt / Assets	10.5%	7.8%	5.3%	3.9%	3.1%	23.3%
	Interest coverage	79.10	77.86	152.96	213.15	105.54	3.76





# Financial Statements Modeling Assumptions

Scenario switch: [Base Case](#)

Assumptions:	2024	2025	2026	2027	2028	2029	2030
<b>COGS inflation</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Base case	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Best case	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Worst case	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Other costs inflation</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>
Base case	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Best case	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Worst case	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>Sales price - €/kg</b>	<b>255.0</b>	<b>260.0</b>	<b>265.0</b>	<b>265.0</b>	<b>265.0</b>	<b>265.0</b>	<b>265.0</b>
Base case	255.0	260.0	265.0	265.0	265.0	265.0	265.0
Best case	260.0	265.0	270.0	270.0	270.0	270.0	270.0
Worst case	250.0	255.0	260.0	260.0	260.0	260.0	260.0
<b>Sales volume growth</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>
Base case	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Best case	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Worst case	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
<b>Research contract sales growth</b>	<b>2.2%</b>	<b>2.2%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>4.0%</b>
Base case	2.2%	2.2%	3.0%	3.0%	3.0%	4.0%	4.0%
Best case	2.7%	2.7%	3.5%	3.5%	3.5%	4.5%	4.5%
Worst case	1.7%	1.7%	2.5%	2.5%	2.5%	3.5%	3.5%
<b>Government grants growth</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>4.0%</b>
Base case	10.0%	10.0%	10.0%	8.0%	6.0%	5.0%	4.0%
Best case	10.5%	10.5%	10.5%	8.5%	6.5%	5.5%	4.5%
Worst case	9.5%	9.5%	9.5%	7.5%	5.5%	4.5%	3.5%

- Cost inflation was modelled according to Purchasing Price Index (PPI) predictions
- Sales volume are assumed to grow at 12% per year, just 2 percentage points above the past 5-year average, which was negatively general economic downturn
- Unit prices start from the most recent observed prices and are assumed to increase up to €265, the maximum amount ever reached so far
- Research contract revenue expected to grow at faster pace as efforts are made to expand into industries beyond cosmetics
- Declining government grants grow rate to reflect efforts become less reliant on government demand
- CapEx estimated as percentage of revenue at levels above 5-year average to sustain growth

Depreciation Schedule	2023	2024E	2025E	2026E	2027E	2028E
<b>TANGIBLE ASSETS</b>						
Net tangible assets	1,232.03					
CAPEX	48.10	480.49	583.24	579.76	644.83	549.03
as % of revenues		10%	10%	9%	9%	7%
Years remaining existing assets:	3.15					
Depreciation years on new assets:	5					
Depreciation of existing tangible assets		391.12	391.12	391.12	58.67	-
	<b>CAPEX</b>					
2024E	480.49	48.05	96.10	96.10	96.10	96.10
2025E	583.24	-	116.65	116.65	116.65	116.65
2026E	579.76	-	115.95	115.95	115.95	115.95
2027E	644.83	-	128.97	128.97	128.97	128.97
2028E	549.03	-	109.81	109.81	109.81	109.81
2029E	607.88	-	121.58	121.58	121.58	121.58
2030E	569.37	-	113.87	113.87	113.87	113.87
Depreciation of new tangible assets		48.05	802.92	802.92	802.92	802.92
Total Depreciation (tangible assets)		439.17	1,194.04	1,194.04	861.59	802.92



Business Model Overview



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# Financial Statements Modeling Assumptions

Existing debt		(€thousand)	2023	2024	2025	2026	2027	2028	2029	2030	Working Capital Schedule		2023	2024	2025	2026	2027	2028
Entity	MISE	Capital BoY		81.67	61.94	41.76	21.12	-	-	-	Days In							
Finish	31/12/2027	Payment		21.60	21.60	21.60	21.60	-	-	-	Trade Receivables		77	61	61	61	61	61
Rem. Mat.	4	Interest		1.88	1.42	0.96	0.49	-	-	-	Income Tax Receivables		759	731	731	731	731	731
Interest rate	2.30%	Capital Repayment		19.73	20.18	20.64	21.12	-	-	-	Other Receivables / Loans		1090	1068	1068	1068	1068	1068
Amt	81.67	Capital EoY	81.67	61.94	41.76	21.12	-	-	-	-	Inventory		1165	659	659	659	659	659
Entity	NUTRABEST	Capital BoY		151.28	131.11	110.48	89.38	67.79	45.71	23.11	Raw Materials		256	166	166	166	166	166
Finish	31/12/2030	Payment		£23.64	23.64	23.64	23.64	23.64	23.64	23.64	WIP / Finished		909	493	493	493	493	493
Maturity	7	Interest		3.48	3.02	2.54	2.06	1.56	1.05	0.53	DTA		0	0	0	0	0	0
Interest rate	2.30%	Capital Repayment		20.17	20.63	21.10	21.59	22.09	22.59	23.11	Other		0	0	0	0	0	0
Amt	151.28	Capital EoY	151.28	131.11	110.48	89.38	67.79	45.71	23.11	- 0.00	Prepaid Expenses		36	50	50	50	50	50
Entity	ETB	Capital BoY		66.82	45.05	22.78	-	-	-	-	Trade payables		74	156	156	156	156	156
Finish	31/12/2026	Payment		23.31	23.31	23.31	-	-	-	-	Income Taxes		44	104	104	104	104	104
Maturity	3	Interest		1.54	1.04	0.52	-	-	-	-	Accrued Expenses		164	250	250	250	250	250
Interest rate	2.30%	Capital Repayment		21.77	22.27	22.78	-	-	-	-	Other		229	178	178	178	178	178
Amt	66.82	Capital EoY	66.82	45.05	22.78	-	-	-	-	-	Account Balances							
New debt		(€thousand)	2023	2024	2025	2026	2027	2028	2029	2030	Trade Receivables		694.63	610.1	672.9	743.9	837.0	927.0
Target D/A	3%	Year	New Issue								Income Tax Receivables		882.52	971.5	1109.8	1267.9	1448.4	1654.7
Interest rate	2.90%	2024	171.76	-	19.38	19.95	20.53	21.12	21.73	22.36	Other Receivables / Loans		1,267.77	1419.4	1621.5	1852.4	2116.2	2417.5
Maturity	8	2025	98.02	-	-	11.06	11.38	11.71	12.05	12.40	Inventory		1,355.52	875.8	1000.5	1143.0	1305.8	1491.7
		2026	111.44	-	-	-	12.58	12.94	13.32	13.70	Raw Materials		297.61	220.6	252.0	287.9	328.9	375.8
		2027	109.28	-	-	-	-	12.33	12.69	13.06	WIP / Finished		1,057.91	655.2	748.5	855.1	976.8	1116.0
		2028	95.61	-	-	-	-	-	10.79	11.10	DTA		-	0.0	0.0	0.0	0.0	0.0
		2029	94.77	-	-	-	-	-	-	10.70	Other		-	0.0	0.0	0.0	0.0	0.0
		2030	100.81	-	-	-	-	-	-	-	Prepaid Expenses		41.89	66.5	75.9	86.7	99.1	113.2
		Tot Repayment	-	19.38	31.01	44.48	58.11	70.58	83.32		Trade payables		86.32	207.3	236.8	270.6	309.1	353.1
		Year	New Issue								Income Taxes		50.63	138.2	157.9	180.4	206.1	235.4
		2024	171.76	-	4.98	4.42	3.84	3.25	2.63	2.00	Accrued Expenses		190.37	332.3	379.6	433.6	495.4	565.9
		2025	98.02	-	-	2.84	2.52	2.19	1.85	1.50	Other		266.47	236.6	270.2	308.7	352.7	402.9
		2026	111.44	-	-	-	3.23	2.87	2.49	2.11								
		2027	109.28	-	-	-	-	3.17	2.81	2.44								
		2028	95.61	-	-	-	-	-	2.77	2.46								
		2029	94.77	-	-	-	-	-	-	2.75								
		2030	100.81	-	-	-	-	-	-	-								
		Tot interest	-	4.98	7.26	9.59	11.47	12.56	13.26									
		Total Debt EoY		409.87	425.42	441.33	463.41	478.83	480.42	474.80								
		Short-term		82.46	95.54	87.19	80.19	93.18	106.44	97.12								
		Long-Term		327.41	329.89	354.13	383.22	385.65	373.99	377.68								

- Working capital was modelled by keeping the turnover days of each item equal to the past 5-year average
- Existing debt repayment schedule based on 2.3% interest rate assumption
- New debt issuance: constant debt-to-assets ratio at 3%, interest rate at 2.9%, 8 years maturity



## Weighted Average Cost of Capital

WACC Buildup		
€ and shares in thousands, except per share data		
Cost of capital assumptions		
		Source
Cost of debt	2.90%	
Tax rate	20.00%	Average tax rate used in 2024-2030 estimations
Cost of debt (after tax)	2.32%	Cost of debt x (1 - tax rate)
Risk free rate	3.55%	Refinitiv- BTP 10 year yield
Beta	0.878	Beta- Refinitiv As of 11/11/2024
Market risk premium	6.44%	Market risk premium from Refinitiv, as of 11/11/24
Cost of equity	9.21%	RfR + Beta x MRP
Capital weights (capital structure)		
	Current	% of total
Equity	10,751.91	96.3%
Debt	410.70	3.7%
Total	11,162.6	
Cost of capital (WACC)		8.95%

### Comment

- Here we calculated the weighted average cost of capital.
- WACC represents the blended cost of equity and debt financing for the company.
- Used as the discount rate for evaluating DCF

Note: The company's cost of debt is lower than the risk-free rate (3.55%). This can be justified by the fact that the company's debt is backed by government grants, which reduces the risk to lenders and results in a lower borrowing cost.

# Discounted Cash Flow Valuation

Free Cash Flow	2025	2026	2027	2028	2029	2030
<i>(€ thousand)</i>						
EBIT	1,133.96	1,095.29	1,415.35	1,428.01	1,489.75	1,590.58
Tax rate	20%	20%	20%	20%	20%	20%
Unlevered taxes	226.79	219.06	283.07	285.60	297.95	318.12
<b>NOPAT</b>	<b>907.17</b>	<b>876.23</b>	<b>1,132.28</b>	<b>1,142.41</b>	<b>1,191.80</b>	<b>1,272.47</b>
CapEx	- 816.54	- 773.01	- 788.12	- 705.89	- 694.72	- 664.27
Change in WC	- 287.93	- 331.41	- 401.27	- 454.79	- 534.50	- 594.67
D&A	611.31	770.27	593.93	680.66	753.45	740.43
<b>FCFF</b>	<b>414.00</b>	<b>542.07</b>	<b>536.82</b>	<b>662.40</b>	<b>716.03</b>	<b>753.96</b>
Terminal growth rate						2.5%
WACC						8.95%
Terminal Value						11,975.06
Total CF	414.00	542.07	536.82	662.40	716.03	12,729.02
t	0.50	1.50	2.50	3.50	4.50	5.50
PV(CF)	396.63	476.64	433.24	490.65	486.79	7,942.70
<b>Enterprise Value</b>						<b>10,226.65</b>
Net Debt					-	3,084.33
Equity Value						13,310.98
# shares						6,333.00
<b>Price per share</b>						<b>2.10</b>

## Comment:

- Two stage DCF model is used
- First, we estimate the FCF from 2024-2030, as we believe they will experience higher growth from this period
- Then we calculated the terminal value using a growth rate of 2.5%



# Relative Valuation & Target Price

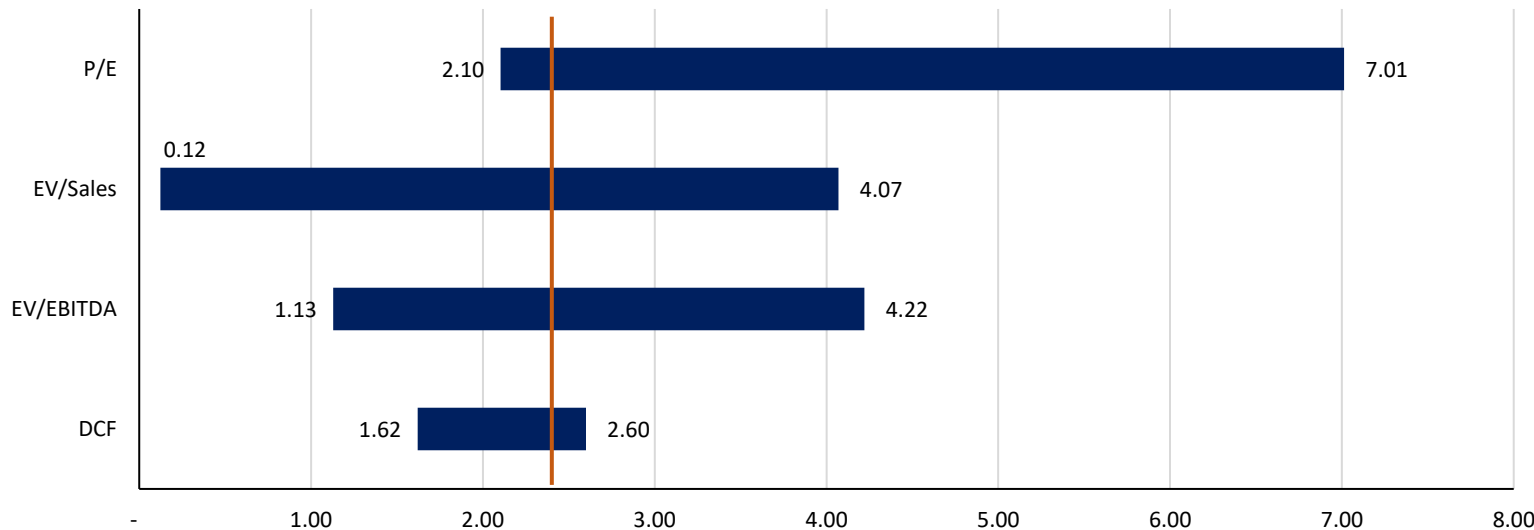


Università Commerciale  
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Company	EV/Revenue			EV/EBITDA			P/E		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Arterra Bioscience SpA	2.07 x	2.13 x	1.75 x	6.43 x	7.19 x	5.86 x	12.38 x	15.01 x	12.72 x
BRAIN Biotech AG	0.99 x	0.95 x	0.86 x	nm	nm	nm	nm	nm	nm
Croda International PLC	3.28 x	3.39 x	3.23 x	13.58 x	14.61 x	13.06 x	41.29 x	26.36 x	22.77 x
EVONIK INDUSTRIES AG	0.78 x	0.78 x	0.77 x	7.15 x	5.63 x	5.37 x	nm	10.94 x	10.41 x
Symrise AG	3.58 x	3.40 x	3.21 x	18.74 x	16.56 x	15.27 x	40.90 x	30.15 x	26.57 x
Novozymes A/S	10.14 x	6.17 x	5.76 x	30.54 x	17.39 x	15.33 x	34.08 x	39.01 x	30.78 x
GIVAUDAN SA	5.83 x	5.47 x	5.26 x	26.05 x	22.84 x	21.85 x	36.11 x	30.10 x	29.60 x
Mean Best Peers	3.81 x	3.81 x	2.98 x	17.08 x	14.04 x	12.79 x	32.95 x	25.26 x	22.14 x
Arterra Bioscience Multiple	2.07 x	2.13 x	1.75 x	6.43 x	7.19 x	5.86 x	12.38 x	15.01 x	12.72 x
Discount on mean best peers	-46%	-44%	-41%	-62%	-49%	-54%	-62%	-41%	-43%
Price per share (€)	2.41	2.20	2.38	2.70	2.29	2.46	2.63	2.11	2.17

Valuation: Football Field



## Key Comparables

- **Geographic Presence:** European-based peers with global operations
- **Industry Alignment:** Focus on biosciences, biotechnology, and specialty chemicals.
- **Product Overlap:** Similar applications in cosmetics, food ingredients, and personal care
- **Innovation & Sustainability:** Similar applications in cosmetics, food ingredients, and personal care
- **Scale and Market Presence:** Includes both small innovators and larger market leaders

## Valuation

- EV/Revenue, EV/EBITDA, and P/E ratios for 2023–2025; higher weights assigned to smaller peers
- Multiples-derived share price (€2.20–€2.70) aligns slightly above DCF valuation (€2.10)
- Discount of 45%-50% reflects limited scalability, execution risks, and early-stage growth.
- Upside potential with margin and revenue expansion could narrow the peer valuation gap.



Business Model Overview



Industry and Competitor Analysis



Past Performance



Model & Valuation



Risks & Conclusion

## Concentration Risk

- Dependence on Vitalab: Vitalab is the primary commercialization channel for active compounds, making Arterra's sales volumes highly reliant on its performance.
- Bottleneck: Over-reliance and underperformance of this channel would directly affect sales volumes, strategic growth and scalability
- **Mitigation:** Over-reliance can be addressed by creating alternative distribution channels and negotiating stronger governance roles within Vitalab.

## Control Risk

- Arterra holds only a 25% equity stake, restricting its ability to influence decisions or strategic initiatives
- Market Exclusivity Constraints with Intercos Agreement: Exclusive first-year rights for new active ingredients limit Arterra's ability to explore broader commercialization immediately, restricting alternative revenue generation and diversification efforts.
- **Mitigation:** Negotiate greater influence on the governance structure of Vitalab to align with its own objectives. Facilitate the enlargement of revenue from other sectors such as medical devices and agrifood.

## External Risk

- Reliance on public grants: Grants accounted for 55% of revenue in 2007 and still contributed 33% in 2022, indicating ongoing reliance on external funding.
- Public funding is volatile and susceptible to economic downturns or policy changes.

## Context

- Vitalab is a joint commercial venture between Arterra and Intercos; main channel for distribution of cosmetics
- In 2008, agreement with Intercos and the establishment of Vitalab facilitated a revenue transition from public grants to research contracts and the selling of active compounds.
- Arterra owns 25% equity stake in Vitalab, while Intercos retains 75% ownership.

## Key Figures

- The development of research contracts accounted for 11% of revenue in 2022
- Public grants still contributed a substantial 33% of the revenue in the same year, down from 55% in 2007.
- The sale of active compounds accounted 60% of revenue in 2022.



# Our Recommendation



Forecast of key items	2024E	2025E	2026E	2027E	2028E
(€ thousand)					
Value of production	4,804.87	5,832.44	6,441.79	7,164.76	7,843.23
growth %	-3%	21%	10%	11%	9%
EBITDA	1,423.02	1,745.27	1,865.55	2,009.28	2,108.68
margin %	29.6%	29.9%	29.0%	28.0%	26.9%
EBIT	936.63	1,133.96	1,095.29	1,415.35	1,428.01
margin %	19.5%	19.4%	17.0%	19.8%	18.2%
CapEx	672.68	816.54	773.01	788.12	705.89
FCFF	-	414.00	542.07	536.82	662.40
growth %			31%	-1%	23%

Method	Price	Weight
DCF	€2.10	90%
Multiples	€2.58	10%

Recommendation: BUY

Target Price: €2.15

COMPANY PROFILE	
Ticker (Refinitiv)	ABIS.MI
Industry	Biotech
Stock exchange	Italian Stock Exchange - Euronext Growth
Reference index	FTSE Italian Small Cap
Price as of 20/11/2024 (€)	1.90
Number of shares (m)	6.33
Free Float (m)	3.10
Market Capitalization (€m)	10.75
IPO Date	28-Oct-19

