

BUY

## NATAC

SPAIN | CONSUMER STAPLES

The right recipe for growth; initiating with a Buy

Price (€)	0.62
Target Price (€)	0.80
Target Return	28.8%
Ticker	NAT SM
Shares Out (m)	435
Market Cap (€m)	270

Key Estimates	2023a	2024e	2025e
P/E (x)	60.7	115.2	43.2
P/CF (x)	35.6	35.9	24.1
EV/EBITDA (x)	60.4	25.8	18.4
P/BV (x)	9.4	6.2	5.4
Div yield (%)	0.0	0.0	0.0

Performance (%)	1D	1M	YTD
Price Perf	-3.1	3.3	-15.1

Source: Company data, FactSet and JB Capital estimates

We initiate coverage of Natac with a Buy rating and a €0.80/shr target price. Natac is a niche player in the functional ingredients market. It specializes in the manufacturing of natural ingredients, mainly scientifically-based botanical extracts with proven health benefits. The company sells its products mainly to nutraceutical manufacturers (56% of revenues) and the pharma industry (20% of revenues). The herbal extracts market is expected to grow in double digits over the next five years, and Natac has expanded its potential capacity almost tenfold to capture this opportunity (this expansion is almost fully paid for). We expect the company to grow EBITDA by 45% on average during 2024-27 and believe it deserves an even higher premium over peers. The stock trades at 18.5x 2025e EV/EBITDA vs 17x for peers that are expected to grow their EBITDA by 11% over the same period. Our TP offers a c.30% upside including a 20% liquidity discount, given Natac's reduced size and trading volume (€40k/day over the past 6 months).

**Exposed to an attractive and fragmented industry:** Megatrends such as an aging population and increased focus on wellbeing are expected to drive growth of the plant extracts and omega-3 markets. Herbal extracts market (the core of Natac's business) should see a 12% CAGR in 2023-28, with omega-3 expected to grow in mid-single-digits. High M&A activity reinforces the sector's attractiveness and growth prospects (recent transactions in the plant extracts segment were closed at an avg. 25x EV/EBITDA).

**Well positioned to pursue growth opportunities:** Natac has three production facilities in Spain, two dedicated to the manufacturing of plant/botanical extracts and one focused on the production of omega-3 (expected to come onstream in 4Q24). The recently built multiproduct factory can reach a turnover of €70m at full capacity (currently it is running at 40%). Furthermore, the completion of the omega-3 factory will imply a significant step-up in terms of revenue potential in 4-5 years. This factory should reach revenues of €50m at a c. 65% utilization rate, providing an idea of Natac's business potential (this effect is not yet visible in the P&L). Overall revenue capacity of Natac should grow from c.€20m in 2021 to c.€175m in 2024).

**Strong earnings growth potential:** We forecast an annual organic sales growth of 35% for Natac over the next four years. This growth should start to materialize in 2024 (+50% YoY), driven by company-specific drivers such as the approval from regulatory authorities for the sale of a drug containing an extract produced exclusively by Natac, or the addition of APIs to its current portfolio. Furthermore, increased capacity utilization should provide solid operating leverage, supporting 45% average annual EBITDA growth through 2023-27, while maintaining an EBITDA margin of c. 35% in the mid-term.

**Catalysts and risks:** Key catalyst include: i) Strong results releases (2024 results out in April) should confirm Natac's top-line growth and consequent margin improvement potential as the company increases its utilization capacity; and ii) it is a potential M&A target, given the ongoing market consolidation in Europe. On the other hand, we see the following risks to our positive stance: i) slower-than-expected ramp-up of its omega-3 factory, ii) fish oil price volatility, iii) slowdown in the herbal extracts market and iv) high client concentration.



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## Sales / Trading

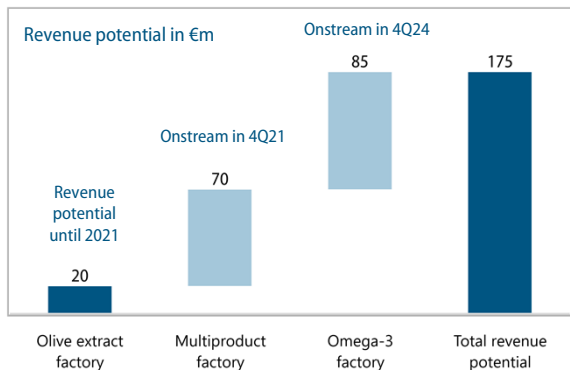
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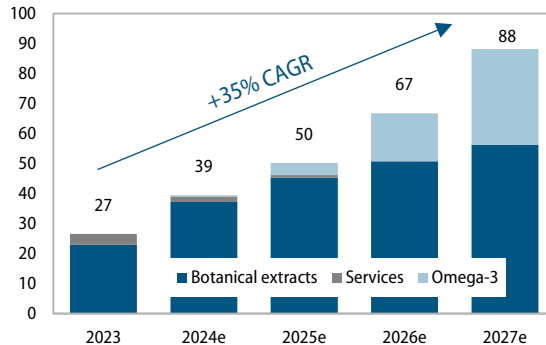
## Natac in six charts

Recent investments have significantly increased Natac’s revenue potential to €175m (vs €20m in 2021)



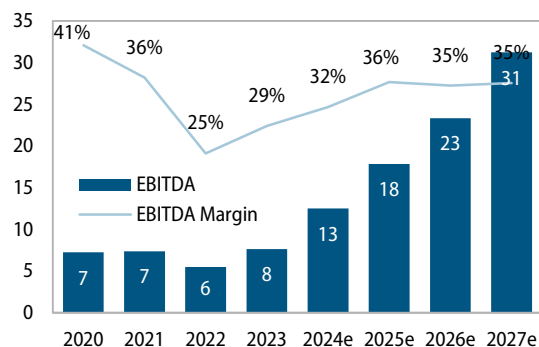
Source: JB Capital estimates

We expect significant growth in revenues, driven by the ramp-up of recent investments and the launch of omega-3 products



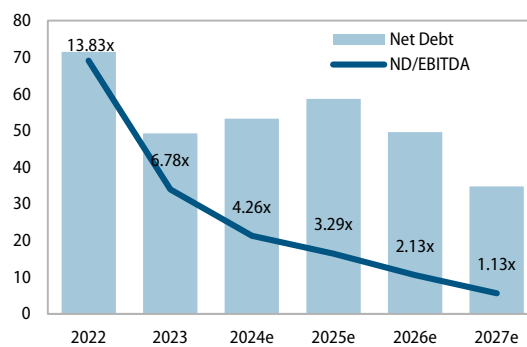
Source: JB Capital estimates

Increased capacity utilization should support 45% CAGR EBITDA growth through 2023-27...



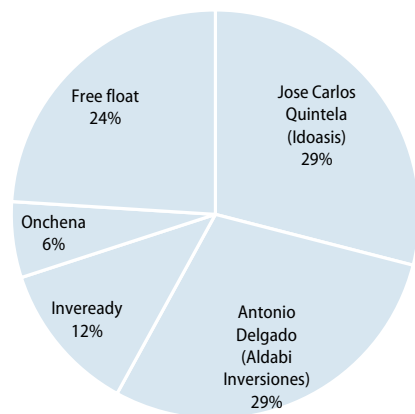
Source: JB Capital estimates

... and bring leverage down to c.1x in 2027e, providing ample room for capital deployment



Source: JB Capital estimates

Founder partners remain in the capital with 60% stake and hold key positions in the management team



Source: Company data

We see an upside to current valuation as botanical extracts continue to shine and omega-3 takes off

	EV	Implicit EV/EBITDA	
	€m	2025e	2026e
<b>EV</b>	<b>513</b>	29x	22x
(-) Net debt 24e	-53		
(+) DTA / (-) DTL @ BV	-1		
(+) Other Financial Assets	5		
<b>Equity (€m)</b>	<b>463</b>		
Nº of Shares (m shares)	434.8		
Convertible new shares (m shares)	30.0		
Treasury Stock (m shares)	0.5		
<b>Fair value (€/shr)</b>	<b>1.00</b>		
(-) Liquidity disc (20%) €/shr	-0.20		
<b>Target Price (€/shr) 2025e</b>	<b>0.80</b>		
vs Last Price	28.8%		

Source: JB Capital estimates

## In this note, we:

- Explain why we believe Natac is entering a high-growth stage (page 3), mainly as a result of 1) the recent growth investments, a strategic decision that has significantly increased the company's botanical extracts production capacity; 2) the strong upside in the pharma industry due to products protected by patents and/or clinical studies; and 3) the start of operations of its omega-3 (fish oil) manufacturing facility – three growth drivers that we expect to materialize as early as 2024. We discuss financial estimates on page 9.
- Show that Natac's current share price still offers a good entry point (page 5) despite trading slightly above the vertically integrated players. Although earnings drivers are similar, we believe Natac deserves a premium due to its niche positioning, higher exposure to the pharma industry and an improved growth profile due to company-specific factors (page 7). Our DCF methodology results in a value of €0.80/shr for Natac, which we set as our target price – it represents a c. 30% upside including a 20% liquidity discount. We also believe Natac is a potential M&A target, given the ongoing market consolidation in Europe, and plentiful M&A deals in the sector support our positive stance (page 8).
- Provide a company overview (page 13) and review Natac's business model (page 15), discussing its positioning in the botanical extracts industry and how the reverse merger with IFFE Biotech offers Natac an opportunity to expand its product range for omega-3 in dietary supplements. Furthermore, we look to Natac's production facilities (page 19) as we believe that recent investments should boost mid-term growth.
- Deep dive into the plant extracts and Omega-3 markets (page 22). We discuss why an aging population and wellbeing are expected to drive growth of the plant extracts and omega-3 markets. These two markets are projected to grow in mid-single digits over the mid-term.

## Main financials – Ready for take-off

**What does Natac do?** Natac is a niche player in functional ingredients. It is specialised in the research, development, production and wholesale distribution of scientifically based botanical extracts with proven health benefits (with a special focus on Mediterranean plants). Its products have a wide range of applications in the nutraceuticals (56% of 2023 revenues), pharmaceuticals (20%) and animal feed (10%) markets.

### Natac's revenue mix

€m	2020	2021	2022	2023	2024e	2025e	2026e	2027e	20a/23e	23a/27e
Botanical extracts	15	17	16	23	37	45	51	56	16%	25%
Omega-3	0	0	0	0	1	4	16	32	nm	nm
Services	3	3	6	4	2	1	0	0	7%	-100%
<b>Total revenues</b>	<b>18</b>	<b>20</b>	<b>22</b>	<b>27</b>	<b>39</b>	<b>50</b>	<b>67</b>	<b>88</b>	<b>15%</b>	<b>35%</b>
<b>% of total</b>										
Botanical extracts	83%	84%	73%	86%	94%	90%	76%	64%	3.3pp	-22.5pp
Omega-3	0%	0%	0%	0%	1%	8%	24%	36%	0.0pp	36.3pp
Services	17%	16%	27%	14%	5%	2%	0%	0%	-3.3pp	-13.8pp
<b>YoY growth</b>										
Botanical extracts		17%	-4%	39%	62%	22%	12%	11%		
Omega-3		n.a.	n.a.	n.a.	n.a.	700%	300%	100%		
Services		9%	83%	-39%	-50%	-50%	-100%	0%		
<b>Total revenues</b>		<b>16%</b>	<b>10%</b>	<b>18%</b>	<b>49%</b>	<b>27%</b>	<b>33%</b>	<b>32%</b>		

Source: Company data and JB Capital estimates

**Natac benefits from its niche positioning in the natural extracts sector**, which has significant entry barriers due to the access to quality raw materials that lead to superior margins vs peers. Indeed, Natac posted an EBITDA margin of 27% in 2023, which is >9pp higher than the 18% average of the integrated players. Furthermore, its increased exposure to the pharma business (36% of revenues in 2024 vs 20% in 2023) provides higher earnings resilience. Currently, c. 50% of Natac's products are sold on an exclusive basis as they are protected by patents and/or clinical studies, a competitive advantage in our view.

**Omega-3 launch in 2024 will mark the beginning of a high-growth stage.** Natac is nearing completion of its omega-3 factory, capable of producing 10,000 metric tons of omega-3 (RBD 30%, 180 EPA + 120 DHA – the most-used variety to meet the demand for human consumption). Once onstream (production started in September 2024, first sales are expected in 4Q24), Natac will expand its product portfolio towards omega-3 for dietary supplements and functional foods, focused on B2B. The omega-3 factory has a revenue potential of c. €85m, and we expect it to reach €32m of revenues by 2027 – reaching 40% of the company's revenues (providing an idea of Natac's omega-3 business potential, which is not yet visible in the P&L).

**Stronger growth profile than peers:** We expect Natac's revenues to see 35% CAGR in 2024-27, supported mainly by company-specific drivers such as: i) the ramp-up of recent growth investments (currently running at an avg. of 40% capacity, thereby providing ample room for growth); ii) strong upside in the pharma industry; and iii) the launch of omega-3 products in 2024. This compares with an average 5% revenue CAGR implied by BBG consensus for the integrated players.

#### Natac's P&L

€m	2023	2024e	2025e	2026e	2027e	23a/27e CAGR
<b>Total Revenues</b>	<b>27</b>	<b>39</b>	<b>50</b>	<b>67</b>	<b>88</b>	<b>35%</b>
COGS	-6	-11	-15	-23	-34	53%
Personnel expenses	-7	-9	-10	-12	-13	18%
Other operating expenses	-6	-7	-7	-8	-10	12%
<b>EBITDA</b>	<b>7</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>31</b>	<b>44%</b>
EBITDA Margin (%)	27%	32%	36%	35%	35%	8pp
D&A & Others	-4	-5	-5	-5	-5	2%
<b>EBIT</b>	<b>3</b>	<b>7</b>	<b>13</b>	<b>19</b>	<b>26</b>	<b>72%</b>
EBIT Margin (%)	11%	19%	26%	28%	30%	19pp
Financial result	5	-4	-5	-5	-5	n.a.
Tax expense	-2	-1	-2	-3	-5	nm
Minorities	0	0	0	0	0	nm
<b>Net income Common Shr.</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>10</b>	<b>16</b>	<b>26%</b>

Source: Company data and JB Capital estimates

#### Natac's cash flow statement

€m	2023	2024e	2025e	2026e	2027e	23a/27e CAGR
<b>EBITDA</b>	<b>7</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>31</b>	<b>44%</b>
Taxes Paid	-1	-1	-2	-3	-5	66%
Interest Paid/Received	-4	-4	-5	-5	-5	5%
WC Change	-1	-1	-3	-3	-2	28%
Capex	-2	-10	-14	-3	-3	13%
Acquisitions and other	1	0	0	0	0	nm
<b>FCF</b>	<b>0</b>	<b>-4</b>	<b>-5</b>	<b>9</b>	<b>15</b>	<b>nm</b>
Dividends	-40	0	0	0	0	nm
Capital increase	52	0	0	0	0	nm
Net Debt Issuance/(Repayment)	-11	0	0	0	0	nm
Leases payments (IFRS 16)	0	0	0	0	0	nm
Others	0	0	0	0	0	nm
<b>Net increase/decrease in cash</b>	<b>1</b>	<b>-4</b>	<b>-5</b>	<b>9</b>	<b>15</b>	<b>82%</b>

Source: Company data and JB Capital estimates

**Recent investments to boost mid-term growth:** The company is running at an avg. of 40% capacity in the extracts business. This figure is explained by the multiproduct new factory built in 2021 in Hervás (Extramadura; total investment of €17m) that has significantly increased Natac's production capacity and efficiency – with a turnover potential of €70m on its own (vs €27m revenues in FY23). Natac targets an avg. Maintenance Capex of c. €3m per year in the next 5 years. In addition, our estimates include c.€16m additional non-recurrent Capex distributed between 2024e (€7m) and 2025e (€10m) to enhance productivity in the Hervás factory.

**Unlocking a positive FCF generation (with an FCF conversion ratio of 40% on 2026):** We expect cash generation to become attractive from 2026 onwards because we forecast €9m in FCF, rising to €15m in 2027 (5.5% FCF yield in 2027). Strong EBITDA growth, normalization of working capital and smaller Capex requirements should enable Natac to unlock an attractive cash flow profile.

**Momentum in EBITDA should reduce leverage to 1x in 2027:** Regarding net debt evolution, we believe Natac is at an inflexion point. The company should significantly reduce its leverage on the back of increased EBITDA and higher FCF generation. Specifically, the cash generation estimated from 2024 should enable ND/EBITDA levels to reduce to 4.3x in 2024 and c.1x by 2027, providing ample room for capital deployment.

#### Natac's debt and leverage

€m	2023	2024e	2025e	2026e	2027e
Net Debt	49	53	59	50	35
Interest Cost	-4	-4	-5	-5	-5
Average Cost of Gross Debt	7%	8%	8%	8%	8%
Net Debt / EBITDA	6.8x	4.3x	3.3x	2.1x	1.1x
EBITDA/Financial expenses	1.7x	2.8x	3.8x	4.7x	6.2x

Source: Company data and JB Capital estimates

**Recently published 1H24 results confirms our positive view:** Natac delivered a strong set of 1H24 results with revenues of €19.7m (+71% YoY) and EBITDA of €5.8m (vs €2m in 1H23). Thus we see the company on track to deliver on its guidance and our FY24 estimates (Adj. EBITDA €14m).

## Valuation – Growth prospects not fully priced in

**We initiate coverage of Natac with a Buy rating and a €0.80/shr target price (c.30% upside).** We value Natac through a discounted cash flow (DCF) methodology because we believe it is the most appropriate valuation technique to capture its expected top-line growth and profitability expansion. Our DCF model includes explicit free cash flow forecasts up to 2031. We use a discount rate (WACC) of 7.6% for both, the explicit period and the terminal value, and a long-term growth rate of 2%. Through the aforementioned exercise we reach an enterprise value (EV) of €513m, from which we subtract i) 2024 Net Debt of €53m (excluding €13.8m of non-refundable grants), ii) deferred tax assets and liabilities at book value, and iii) financial assets. We consider a share count of 465m shares, resulting from the convertible notes' new shares; thus, our target price is fully diluted. Additionally, we factor a 20% standard liquidity discount, given Natac's reduced size and trading volume (€40k/day over the past 6m). **We reach an end-2025 target price of €0.80/shr (c.30% upside).**

#### Natac DCF valuation

DCF Analysis	2025e	2026e	2027e	2028e	2029e	2030e	2031e	T. Value
<b>FCFF</b>	<b>-2</b>	<b>13</b>	<b>18</b>	<b>20</b>	<b>24</b>	<b>27</b>	<b>30</b>	<b>35</b>
Discount factor	1.0	1.1	1.2	1.2	1.3	1.4	1.5	1.5
<b>PV FCFF</b>	<b>-2</b>	<b>12</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>23</b>
EV (25e-31e)	98	19%						
EV - Terminal value	415	81%						
<b>Total EV</b>	<b>513</b>							
(-) Net debt 24e	53							
(+) Deferred tax assets/ (-) Liabilities @ BV	-1							
(+) Other Financial Assets	5							
<b>Total Equity</b>	<b>463</b>							
Nº of Shares (m shares)	434.8							
Convertible notes new shares (m shares)	30.0							
Treasury Stock (m shares)	0.5							
<b>Fair Value (€/Shr)</b>	<b>1.00</b>							
(-) Liquidity disc (20%)	-0.2							
<b>Target Price (€/Shr)</b>	<b>0.80</b>							

DCF Assumptions: 7.6% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".

Source: JB Capital estimates

#### Natac implicit valuation multiples at a target price of €0.80/share

DCF valuation implicit multiples	2024e	2025e	2026e	2027e
EV/Sales	13.0x	10.2x	7.7x	5.8x
EV/EBITDA	40.9x	28.7x	22.0x	16.6x
EV/EBIT	69.8x	39.7x	27.7x	19.5x
P/E	198.0x	74.3x	45.0x	28.8x

Source: JB Capital estimates

**Sensitivity to WACC and terminal growth rates:** We value Natac's business with a long-term discount rate (WACC) of 7.6% and a long-term growth rate of 2%. The following table shows the results of our sensitivity analysis to different valuation assumptions for the WACC and long-term growth "g", used to calculate our Terminal Value.

Sensitivity of our TP (€/shr) to changes in WACC and terminal growth rates

		Changes to Terminal Growth Rate				
		-1pp	-0.5pp	0pp	+0.5pp	+1pp
WACC Changes	+1pp	0.60	0.64	0.69	0.74	0.81
	+0.5pp	0.64	0.69	0.74	0.80	0.88
	0pp	0.68	0.74	0.80	0.87	0.96
	-0.5pp	0.73	0.79	0.87	0.96	1.07
	-1pp	0.79	0.87	0.96	1.07	1.21

Source: JB Capital estimates

### Peer group – We believe Natac deserves a premium vs. the peer group

Natac operates in the natural extracts sector, a very specific niche of the supply chain in the AFF market (Aroma, Flavours and Fragrances) and is mainly composed of small and midsize companies. There is no pure listed comparable peer for Natac in the natural extracts sector as competitors are either local non-listed independent manufacturers (e.g. Indena and Euromed) or already belong to vertically integrated manufacturers. We note that vertically integrated manufacturers operate in a B2B model, offering their products to food, beverage, consumer goods, pharmacy, fragrance and cosmetics companies. The following four players dominate the AFF market with a c. 70% market share:

- **Givaudan** is a Swiss manufacturer and distributor of fragrances and flavour products derived from natural and synthetic ingredients. It generated total revenues of CHF6.9bn in 2023 with an EBITDA of CHF1.5bn. It operates worldwide through two business units: Taste & Wellbeing (52% of revenue) and Fragrance & Beauty (48%). Givaudan is the owner of Naturex, which is Natac's main competitor in Spain.
- **Symrise** is a German player that develops, produces and sells fragrance, flavouring and food ingredients; cosmetic raw materials and ingredients; as well as function ingredients and solutions. It generated revenues of €4.7bn in 2023 with an EBITDA of €903m. Its portfolio is divided in two main business areas: Taste, Nutrition & Health (63% of sales) and Scent & Care (37% of sales).
- **International Flavors & Fragrances (IFF)** is an American manufacturer and supplier of flavours and fragrances. It generated revenues of US\$11.5bn in 2023 with an EBITDA of US\$2bn. Its business is organized into four business segments: Nourish (53% of sales, mainly from food & beverage), Scent (21% of sales, mainly from fragrances and cosmetics), Health & Biosciences (18% of sales, mainly from dietary supplements, food enzymes and animal nutrition) and Pharma Solutions (8% of sales).
- **DSM-Firmenich** is the result of the recent merger between the Dutch player DSM and Swiss player Firmenich, which was the world's largest privately-owned fragrance and taste company. It generated revenues of US\$7.2bn in 2023 with an EBITDA of US\$3.3bn. It is organized in four business segments: 1) Taste, Texture & Health (25% of sales, mainly from food & beverage); 2) Perfumery & Beauty (30% of sales, mainly from fragrances and cosmetics); 3) Health, Nutrition & Care (18% of sales); and 4) Animal Nutrition & Health (26% of sales). DSM-Firmenich has a 50% stake (JV with German chemical company Evonik) in Veramaris, which produces algal-based omega-3 in the Netherlands.



Integrated players figures				
	Givaudan	Symrise	IFF	DSM-Firmenich
Sales (in €m)	7,119	4,730	10,616	12,310
Fragrances & Care	3,410	1,752	2,213	3,709
Food, Nutrition & Health	3,709	2,978	7,529	8,535
Pharma	-	-	874	-
EBITDA mg	21.3%	19.1%	17.2%	14.4%
Fragrance & Beauty	23.2%	15.8%	19.3%	21.1%
Food, Nutrition & Health	19.5%	21.0%	17.6%	12.6%
Pharma	-	-	21.1%	-
ND/EBITDA	2.9x	3.0x	4.5x	1.2x
Geographical distribution of sales				
EMEA	39%	40%	33%	30%
North America	24%	26%	30%	20%
Asia Pacific	25%	21%	23%	23%
LatAm	12%	13%	13%	13%

Source: 2023 Annual Accounts

Additionally, we identified other listed vertical integrated manufacturers within the fragrances and flavours business that can also be used for benchmarking analysis. These include Sensient and Robertet. Vertical integrated players trade at an average 17x FY25 EV/EBITDA.

Natac's estimated comparable multiples										
	Last Price	FX	Mkt Cap	P/E		EV/EBITDA		EV/EBIT		ND/EBITDA
	LC		€m	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Givaudan	4,588.0	CHF	45,268	37.0	35.9	26.9	25.7	34.0	31.8	2.9
DSM-Firmenich	122.0	EUR	32,413	49.3	32.7	18.0	15.5	38.0	27.9	2.6
IFF	103.1	USD	23,850	24.2	22.3	16.2	15.4	26.5	24.9	--
Symrise	122.7	EUR	17,143	36.2	31.1	19.0	17.4	26.8	23.2	2.4
Sensient	78.5	USD	3,008	25.9	22.8	15.2	13.9	19.7	17.9	3.0
Robertet	935.0	EUR	2,139	22.5	20.2	15.6	14.5	18.9	17.5	--
<b>Average</b>				<b>32.5</b>	<b>27.5</b>	<b>18.5</b>	<b>17.1</b>	<b>27.3</b>	<b>23.9</b>	<b>2.7</b>
Natac	0.62	EUR	270	115.2	43.2	25.8	18.4	43.9	25.5	4.3

Source: Bloomberg; Prices as of 2 October, 2024.

Natac trades at 18.5x 2025e EV/EBITDA in our figures, slightly above the vertically integrated players' average of 17x. However, although earnings drivers are similar, we believe Natac deserves a premium vs. such a peer group due to the following factors:

- **Natac has a stronger growth profile that its peers**, as it benefits from a growth angle coming from Omega-3. We expect Natac revenues to see 35% CAGR in 2024-27, driven mainly by the ramp-up of recent growth investments and the launch of omega-3 products. This compares with an average 5% revenue CAGR implied by BBG consensus for the integrated players. Thus, we believe Natac trades at much lower growth-adjusted multiples.
- **Its niche positioning in the natural extracts sector**, which has significant entry barriers due to the access to quality raw materials (specifically Mediterranean plants) providing superior margins vs peers. Indeed, Natac posted an EBITDA margin of 27.3% in 2023, which is >9pp higher than the 18.1% average of the integrated players.
- **Increased exposure of Natac to the Pharma business (35% of revenues in 2024e)** provides higher earnings resilience as in such a sector, botanical extracts need to be approved by the regulatory authorities. We recall that European and US authorities have approved the sale of a drug containing an olive tree extract produced exclusively by Natac (the only company that can produce it).

## Plentiful M&A deals in the sector support our positive stance

**High deal activity reinforces sector’s attractiveness and high growth prospects:** Over the past five years, numerous transactions have been closed in the plant extracts and related products market (we list the most relevant in the following table). We note that the largest deals in value for which we found multiples are related to the plant extracts markets, while the size of deals related to products (food flavours, etc.) were smaller.

**Average multiples paid are close to 21x EV/EBITDA:** The niche component of the industry and healthy growth rates expected for the sector justify such transaction multiples. Deals in the plant extracts segment in 2018-21 were closed at an average c. 25x EV/EBITDA. However, due to the more “niche” profile of recent transactions and following a strong period of growth, current valuation multiples are close to the high-teens.

### Selected transactions in the plant extracts and omega-3 segments (in local CCY)

Company	Buyer	Country	Year	Equity	EV	Sales	EBITDA	EV/Sales	EV/EBITDA
Adare Biome	DM BV	US	2023	--	275	--	15	--	18.0
Chr. Hansen	Novonesis	Denmark	2022	83,465	89,997	14,951	5,423	6.0	16.6
Savory Solutions	IFF	US	2022	--	900	475	64	1.9	14.0
Biosearch	Kerry Group	Spain	2021	127	125	26	3	4.9	36.9
UAS Labs	Chr. Hansen	US	2020	530	605	85	30	7.1	20.2
N&B	IFF	US	2019	24,700	26,200	5,900	1,502	4.4	17.4
Naturex Group	Givaudan	France	2018	1,288	1,455	405	59	3.6	24.9

Source: Company data, Bloomberg and JB Capital estimates

Note (\*): Sales, EBITDA and multiples calculated on last reporting period available pre-transaction

## What could go wrong?

We see the following risks to our positive stance:

- **Execution risks, as Natac’s growth relies on the omega-3 factory coming onstream in 4Q24:** The ramp-up speed of this factory is key to Natac’s equity story. Any delay in the start of the plant will have a significant impact on our estimates (as the omega-3 segment represents c. 8% and 24% of our 2025 and 2026 revenue estimates, respectively).
- **Fish-oil price volatility:** The omega-3 business depends on the availability of omega-3 oil from fishery resources. Restrictive fishing policies and/or lower extraction yields could increase its cost. Although the industry tends to pass on price increases immediately, this process can lead to disruptions and temporary reductions in margins.
- **A slowdown in herbal extracts,** since demand for herbal extracts could be volatile in the case of an economic downturn.
- **Currency movements,** as a stronger EUR vs USD is negative for EPS due to Natac’s exposure to the Americas and Asia, in addition to the majority of its OPEX being in euros.



## Financial estimates: recent investments support strong earnings growth

We expect significant growth in revenues (+35% CAGR for 2023-27), driven mainly by the ramp-up of recent growth investments and the launch of omega-3 products expected in late 2024

Natac has outperformed its sector every year over the past years, with revenues seeing a 15% CAGR in 2020-23 (vs c. 7% of the sector). We attribute this growth mainly due to the diversification into new market segments (such as animal feed) while entering new geographies (e.g., Natac entered the Asian market in 2022 by opening its first sales office in Singapore; this market generated c. €5m of revenues in 2023, growing at 36% YoY and reaching c. 20% of the company's revenues). We also believe the company is well positioned to further accelerate revenue growth as a result of: i) recent growth investments, which have significantly increased the company's botanical extracts production capacity (currently running at an avg. of c. 40% capacity, thereby providing ample room for revenue growth); ii) the strong upside in the pharma industry (30% of revenues by 2027 vs 20% currently); and iii) the launch of omega-3 products. By division, we assume the following:

- **Botanical extracts (64% of the company's revenues by 2027):** For 2024 we estimate strong growth in the botanical extracts division, with revenue reaching €37m (+62% YoY). Such growth should be driven by a robust pharma market as a result of the combination of: i) the increase in sales to a US pharma client, which in 2023 received approvals from regulatory authorities (Europe and the US) for the sale of a drug containing an olive tree extract produced exclusively by Natac (this had no impact on 2023 revenues); and ii) the addition of APIs (Active Pharmaceutical Ingredients) to its current product portfolio following the Good Manufacturing Practice (GMP) certificate, which is a significant milestone in our view.

For 2024-27 we expect revenue growth to normalise to c. 15% CAGR (but still above the high single digit expected for the industry). By market, we expect the pharmaceutical segment to continue to be the main growth engine (+17% CAGR), while for the nutraceuticals and feed segments we forecast growth to remain in double digits (12% CAGR). Our estimates are consistent with the company reaching a utilization rate of 66% in its botanical extracts factories in 2027 (with a total revenue potential of €90m), thus not requiring additional significant investments, as we expect this capacity to double from 2028 as a result of the optimisation implemented as part of the Sustainext project, although we do not include it in our estimates yet (the investment need for this project is supported by grants; see page 16 for further details).

- **Omega-3 launch in 2024 will mark the beginning of a high-growth stage – reaching 36% of the company's revenues by 2027:** Omega-3 production began in September 2024, thus not requiring significant additional investments. Natac expects first sales in 4Q24, and we expect it to reach c. 40% of raw material processing capacity (out of a theoretical maximum capacity of 85%) in three years. We acknowledge that the ramp-up speed of this factory is key to Natac's equity story. This factory would represent production of c. 6,000 metric tonnes/year of omega-3 from 2031 onwards (70% utilisation rate; we forecast stable capacity utilisation afterwards).

Natac aims to focus on B2B sales and functional foods where factors like purity, quality, source and processing are key. After the sharp rise in the prices of fish oil, the key raw material for omega-3 production, in the past two years (from \$2,000/tonne to c. \$6,000/tonne at YE23), we assume an average selling price of €10/kg, in line with average prices for the functional food and nutritional supplements. Such a scenarios should boost Natac's omega-3 sales to c. €32m in 2027 (40% utilisation rate), reaching c. 40% of total revenues (providing an idea of Natac's omega-3 business potential, which is not yet visible in the P&L).

### Natac's expected Omega-3 business KPIs (2024e-2030e)

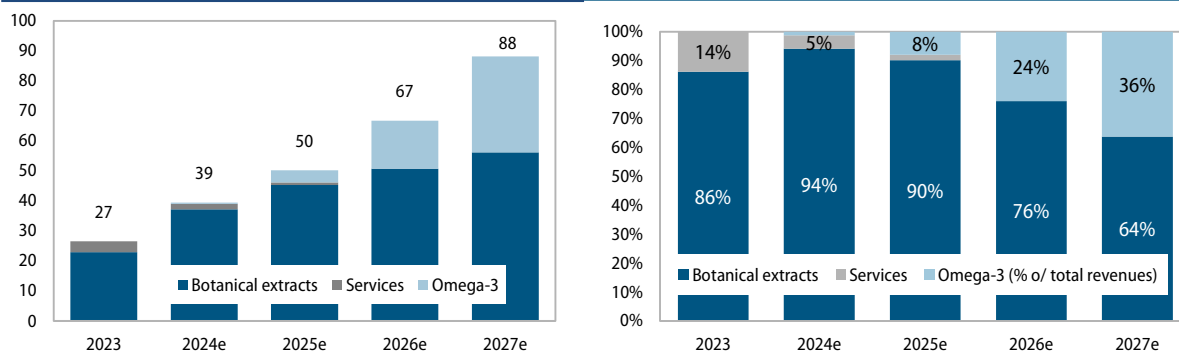
	2024	2025	2026	2027	2028	2029	2030
Total sales (metric tonnes)	50	400	1,600	3,200	4,000	4,600	5,175
Price per tonne (€/kg)	10	10	10	10	10	10	10
Natac's Omega-3 Revenues (€m)	1	4	16	32	40	46	52
Natac's Omega-3 Gross margin	42%	42%	42%	42%	42%	42%	42%
% of Natac's total revenues	1%	8%	24%	36%	39%	40%	41%
% Utilisation rate*	1%	5%	19%	38%	47%	54%	61%

Source: JB Capital estimates

Note: Utilisation rate assuming the omega-3 factory has a theoretical maximum capacity of 85% of its processing capacity (10,000 metric tonnes).

- **Services – To reduce its weight in the revenue mix as the life of R&D projects comes to an end:** Services revenues are related mainly to the company's participation in an Economic Interest Grouping (EIG) under a framework agreement for the development of R&D activities – primarily driven by the Sustainext project. This line of activity should decrease along with the reducing role of the EIG, and we already factor this in our estimates, as we decrease its weight in the revenue mix from 14% in 2023 to just 5% in 2024 and 2% in 2025.

Natac's revenue growth by division (left) and revenue mix as percentage of the total (right)



Source: Company data and JB Capital estimates

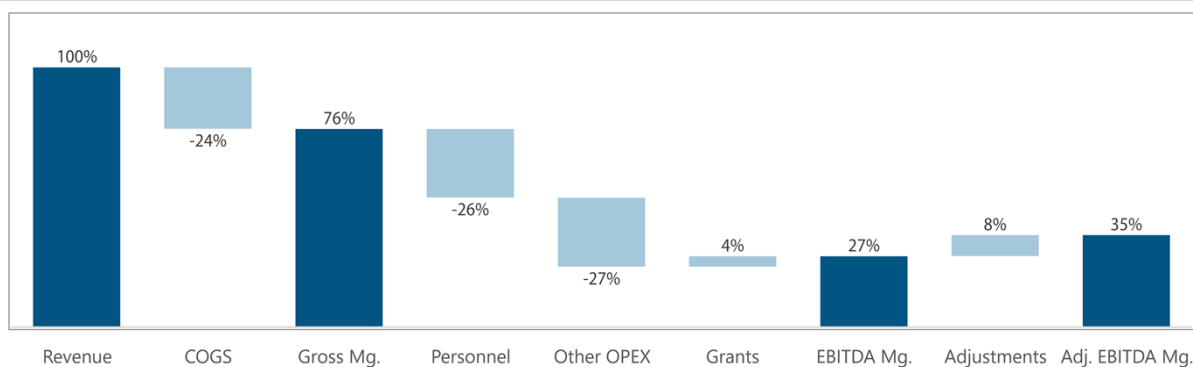
All in all, the strong revenue growth forecast should start to materialise in 2024, when we expect revenues to reach €39.5m (+49% YoY), in a year when the contribution of the omega-3 factory will still be marginal (1% of revenues). Looking ahead to 2027 – when we expect the omega-3 factory to be operating at 40% capacity – we expect Natac's revenues to reach €89m (+35% CAGR in 2023-27e).

**On the right track to meet 2024 guidance.** Natac delivered a strong set of 1H24 results with revenues of €19.7m (+c.70% YoY) and EBITDA of €5.8m (vs €2m in 1H23), negatively impacted by €1m related to restructuring costs. Thus excluding extraordinary items Adj. EBITDA reached €6.8m. On the balance sheet front, Net Debt (excluding convertibles and grants) reached €55.6m (+13% YoY) mainly as a result of €8m Capex and the acquisition of own shares for the incentive plan (€1.2m). For 2024, Natac sees revenues reaching €41m and Adj. EBITDA of €14m (adjusted to exclude extraordinary items; c.€13m after non-recurrent, in line with our estimates). Thus we see the company on track to deliver on its guidance and our FY24 estimates.

### Increased capacity utilisation should support 45% CAGR EBITDA growth through 2023-27

As of 2023, Natac's COGS represented 24% of its revenues, while OPEX was 53%. This led to an EBITDA margin of 27% in FY23. The company underwent one-offs adjustments (€2.1m), mainly related to the reverse merger with IFFE Futura and some restructuring costs, leading to an Adjusted EBITDA margin of 35%.

Natac's FY23 cost structure

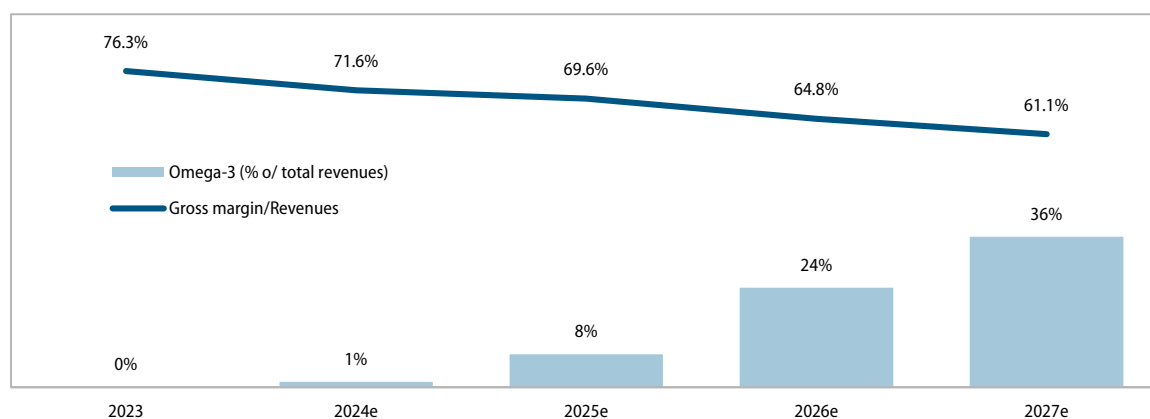


Source: Company data

**Gross margin is already best in class.** In the botanical extracts business, supply depends on plant harvests from the season, which is uncertain and leads to volatility in the price of raw materials. However, COGS (mainly plants and botanical resources) is fully passed through as Natac's products represent a very small component of its client's finished products price. In this regard, Natac has a best-in-class gross margin that reached 76% in FY23 (vs 71% in FY20), supported by its highly efficient production process (with state-of-the-art equipment and machinery in its multiproduct factory) and its business model. Natac controls the whole manufacturing process, from the exploitation – including the set criteria for the cultivation, harvesting and treatment of raw materials – to the production, marketing and commercial distribution of its products.

However, looking ahead, we expect this gross margin to decrease to 60% by 2027 as a result of the higher contribution of the Omega-3 division, which bears a lower gross margin (c. 40% vs c. 75% currently).

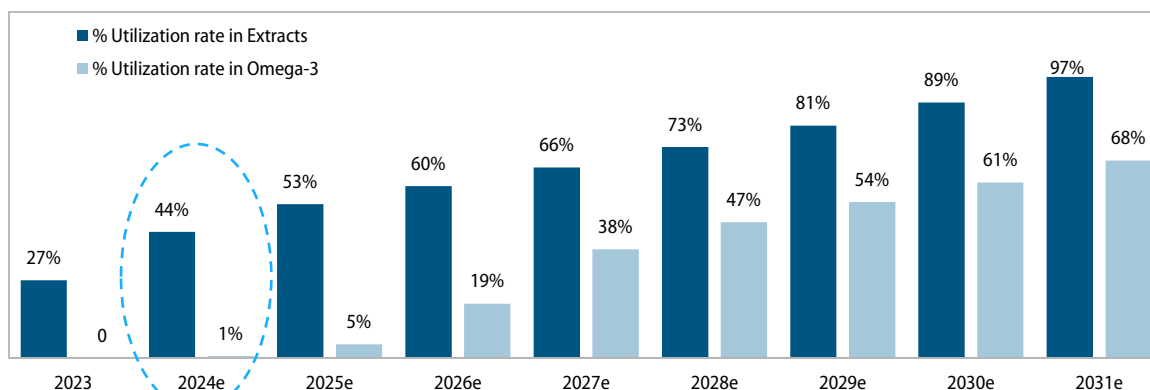
#### Natac's expected gross margin vs omega-3 weight in the revenue mix



Source: JB Capital estimates

Despite the expected decrease in the company's gross margin, we forecast Natac to enhance its EBITDA margin by 8pp in 2023-27, up to 35%. This margin improvement should be visible in 2024, with an EBITDA margin of 32%, rebounding from the 27% seen in 2023 (which was affected by one-offs). According to our estimates, the company should be able to maintain an EBITDA margin of c. 35% in the mid-term despite the change in the revenue mix towards omega-3 products. The key factors behind the EBITDA margin improvement are revenue synergies between the two products (by leveraging Natac's existing customer base and distribution channels) and higher utilisation rates. Specifically, Natac's multiproduct factory for botanical extracts has a total capacity worth c. €70m without considering any further enhancements, while it is running at c. 40% utilisation. We estimate that roughly c. 60% of its operating expenses are fixed, thus providing the company with a solid operating leverage, as fixed costs are absorbed over a higher revenue base.

#### Natac's production plants utilization rate (as a % of revenue potential)

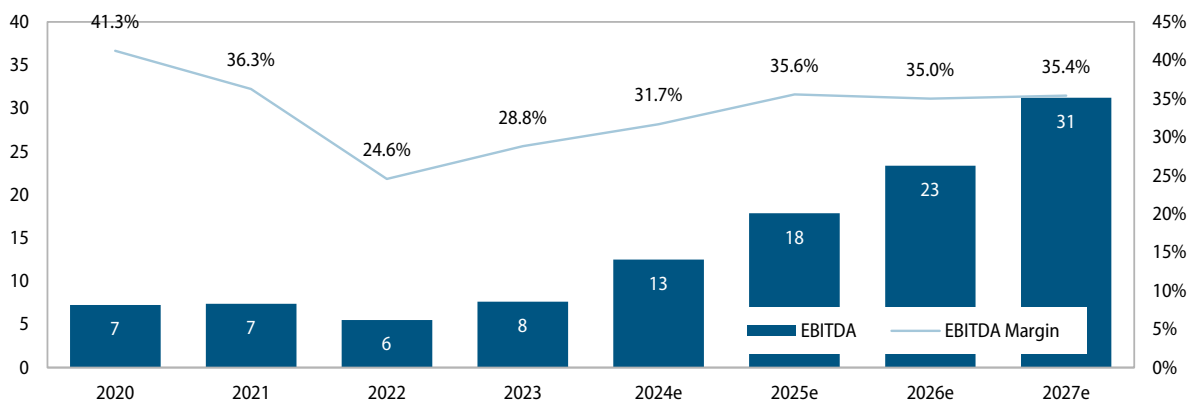


Source: JB Capital estimates

Note: We maintain a stable utilization rate after 2031e.

In this regard, we expect OPEX to rise at a 15% CAGR, thus reducing it to 40% over sales in 2024 and to 25% in 2027 (from c. 50% in 2023). This is consistent with industry levels – currently running at an average of c. 20% OPEX/sales ratios. Our EBITDA estimates also include the recognition of income from grants with a positive impact of c. €2m/year – with the impact on cash flow – as part of Natac's investments is subsidised.

#### EBITDA and EBITDA margin

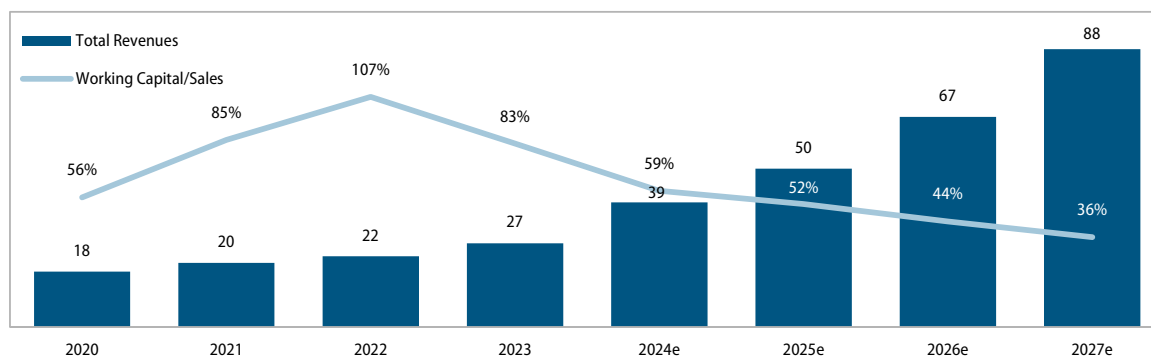


Source: Company data and JB Capital estimates

#### ... Unlocking positive FCF generation (with an FCF conversion ratio of 30% on average)

**We expect working capital to normalise in the mid-term.** Natac's working capital investment has been historically high, especially during the past three years, affected by procurement ahead of new product launches and the start of operations of the new factory in 2021. Natac's inventory levels are determined by the harvest of the plants in its product portfolio, which are usually concentrated once or twice annually. In this regard, stock levels are set to match the expected demand over 12 to 15 months to avoid shortfalls. This explains the high inventory levels of c. 60% over sales at YE22 and YE23, as we expect FY24 revenue growth of c. 50%.

#### Revenues and WC/revenues evolution



Source: Company data and JB Capital estimates

In this regard, we believe that the level of inventories at YE23 (60%) is still exceptionally high and offers room for improvement. Specifically, we forecast the Inventories/Revenue ratio to fall from 60% in 2023 to 42% in 2024 and 40% from 2025 onwards (although still above the levels of the 28% seen in 2020, or those of its main peers at c. 20%). This aspect together with better collection terms should lead to the normalisation of working capital, which we expect to decline as a percentage over sales to 59% in 2024 and to 36% from 2027 onwards (as revenue growth and new product launches slow down).

**Capex:** Natac targets an avg. Maintenance Capex of c. €3m per year in the next 5 years. In addition, our estimates include c.€16m additional non-recurrent Capex split between 2024e (€7m) and 2025e (€10m) to enhance productivity in the Hervás factory. After these, we do not believe the company will require significant additional investments and expect a normalisation of Capex. Specifically, we estimate maintenance Capex at €3-4m/year (c. 3% o/sales).

Overall, we expect cash generation to become attractive from 2026 onwards because we forecast €9m in FCF, rising to €15m in 2027 (5.5% FCF yield in 2027e), as strong EBITDA growth, normalisation of working capital and smaller Capex requirements should enable Natac to unlock an attractive cash flow profile.

#### Free cash flow generation (2023-27e)

€m	2023	2024e	2025e	2026e	2027e
<b>EBITDA</b>	<b>7</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>31</b>
Taxes Paid	-1	-1	-2	-3	-5
Interest Paid/Received	-4	-4	-5	-5	-5
WC Change	-1	-1	-3	-3	-2
Capex	-2	-10	-14	-3	-3
Acquisitions and other	1	0	0	0	0
<b>FCF</b>	<b>0</b>	<b>-4</b>	<b>-5</b>	<b>9</b>	<b>15</b>
Dividends	-40	0	0	0	0
Capital increase	52	0	0	0	0
Net Debt Issuance/(Repayment)	-11	0	0	0	0
Leases payments (IFRS 16)	0	0	0	0	0
Others	0	0	0	0	0
<b>Net increase/decrease in cash</b>	<b>1</b>	<b>-4</b>	<b>-5</b>	<b>9</b>	<b>15</b>

Source: Company data and JB Capital estimates

### Momentum in EBITDA should reduce leverage to 1x in 2027, providing ample room for capital deployment for further growth

The significant investments carried out for the recent capacity expansion and the acquisition of Inoreal in 2022 implied a significant increase in the company's debt (Net debt of €49m as of YE23). We assume in our forecasts the conversion of €9.9m of convertible notes due in 2026-27, implying a 30m increase in the share count.

Regarding net debt evolution, we believe Natac is at an inflexion point. The company should significantly reduce its leverage on the back of increased EBITDA and higher FCF generation. Specifically, the cash generation estimated from 2025 should enable ND/EBITDA levels to reduce to 2.5x in 2025 and c.1x by 2027.

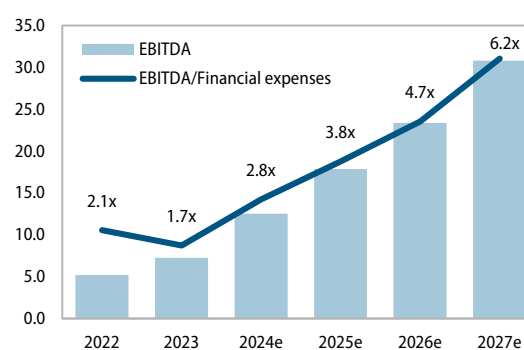
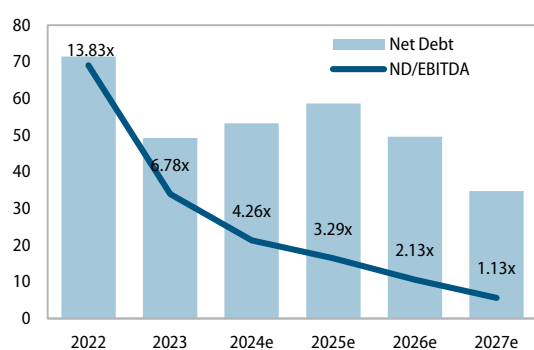
#### Net debt KPIs (2022-27e)

€m	2023	2024e	2025e	2026e	2027e
Net Debt	49	53	59	50	35
Interest Cost	-4	-4	-5	-5	-5
Average Cost of Gross Debt	7%	8%	8%	8%	8%
<b>Net Debt / EBITDA</b>	<b>6.8x</b>	<b>4.3x</b>	<b>3.3x</b>	<b>2.1x</b>	<b>1.1x</b>
EBITDA/Financial expenses	1.7x	2.8x	3.8x	4.7x	6.2x

Source: Company data and JB Capital estimates

This healthier level of leverage coupled with FCF generation should provide Natac with operational flexibility for further growth, either through discretionary Capex investments or M&A, if it finds attractive opportunities.

#### Net Debt evolution (left) and EBITDA coverage ratio (right)



Source: Company data and JB Capital estimates

## Company overview

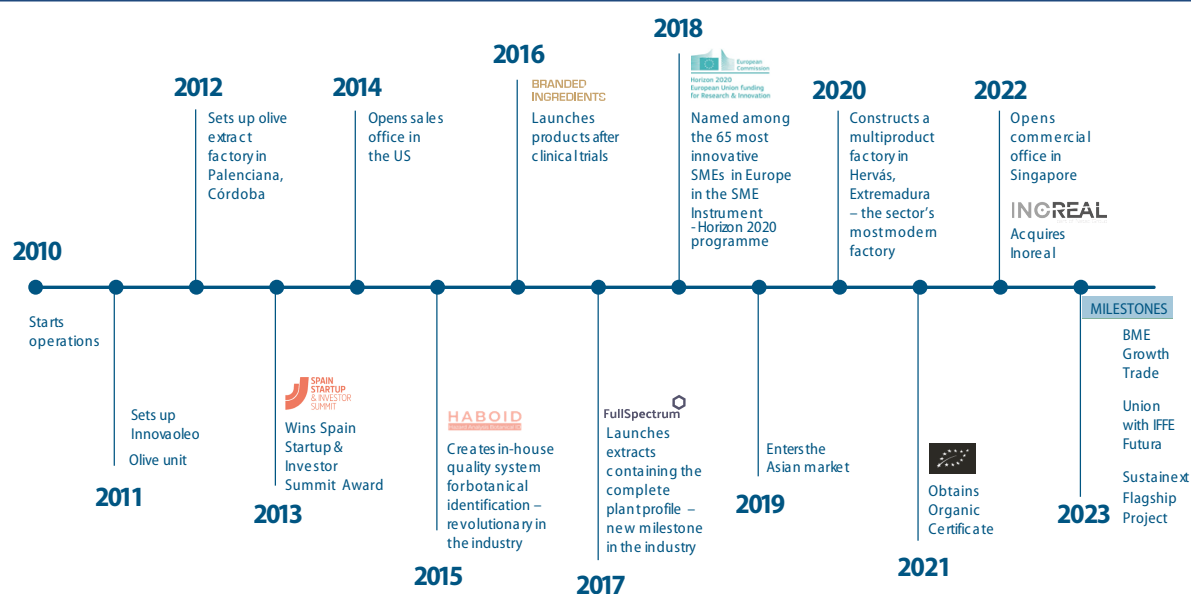
### A bit of history

Natac was founded in **2010** by Antonio Delgado and Jose Carlos Quintela, owners of a 60% stake in the share capital, through investment vehicles Aldabi Inversiones and Idoasis 2002. After serving in various roles within the industry (Puleva Biotech and Biosearch, among others), the duo identified a market opportunity for a company specialising in scientifically-based plant and herb extracts. Their aim was to position the company in the dietary supplements, pharmaceutical and animal nutrition markets with a broad product range based on solid scientific foundation. In addition, Inveready Seed Capital took a 17% stake in the company following its inception, thus supporting Natac's growth in its start-up stage.

In **2011**, Natac decided to focus its activity on olive tree extracts mainly due to its geographical location – which guaranteed its supply – as Spain produces c. 50% of the existing olive trees, and low competition at the time, as there were few industrially viable products. In **2012**, Natac began operations at its first olive extract plant located in Córdoba (Andalusia, Spain), one of the most important olive-growing regions in Spain. In **2017**, the company launched its brand Full Spectrum, with extracts containing the complete active principles of the plant – while plants in the market were usually standardised to a single active ingredient, which means that a significant proportion of the plant's beneficial properties were lost. Natac's olive extract products are made from the leftovers, not from the olives themselves. In **2020**, Natac completed its multiproduct factory located in Hervás (Cáceres, Spain), significantly increasing its production capacity of botanical extracts. In February **2023**, the US Food and Drug Administration approved the marketing of a drug containing an exclusive olive tree extract produced by Natac – a significant milestone as the company is the sole supplier to the leading pharmaceutical company that owns the medicine.

**November 2023** saw the reverse merger of Natac with the listed company IFFE Futura – owner of IFFE Biotech, a biotechnology company dedicated to the research, development and production of omega-3 fatty acids that is completing its first production facility in As Somozas (Galicia, Spain). Consequently, Natac's shares were listed on the BME Growth market – the Spanish SME Growth Market.

### Natac's timeline



Source: Company data

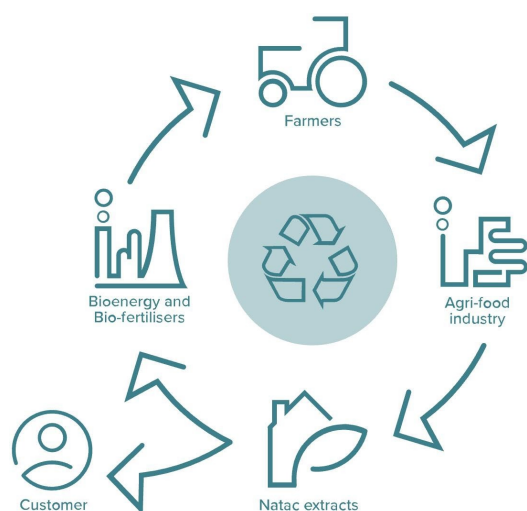


## Niche player in functional ingredients with exposure to growing segments: Botanical extracts and omega-3

**A leading player in the botanical extracts industry...** Botanical extracts account for 100% of group sales. Specifically, Natac is specialised in the research, development, production and wholesale distribution of natural ingredients, mainly scientifically-based botanical extracts with proven health benefits, for different target markets such as nutraceutical manufacturers (56% of revenues) and the pharma industry (20% of revenues).

**... with a circular and sustainable business model (leveraging an ESG angle):** Natac's business model ensures the full use of botanical resources, converting them into value-added ingredients with proven health benefits with scientific support. Specifically, Natac's business ranges from the extraction of phytochemicals from raw materials of natural origin – through alliances with local producers such as farmers, co-ops and large food companies – to the product development and quality control, and the direct sale of finished products to B2B customers. This is one of the key differences between Natac and its competitors, as Natac only uses distributors to overcome specific language or cultural barriers, a strategy it adopted to enter the Asian market. We also note that 98% of the byproduct is biodegradable and used as fertiliser for local agriculture. All these factors enable Natac to control the exploitation – including the set criteria for the cultivation, harvesting and treatment of raw materials – production, marketing and commercial distribution of its products.

### Natac's sustainable business model



Source: Company data

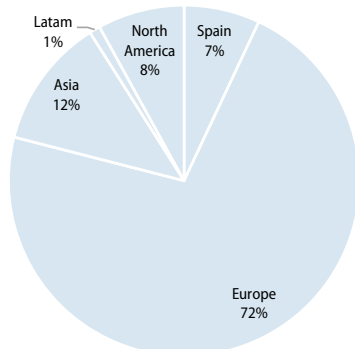
**Reverse merger with IFFE Biotech...** Natac acquired IFFE Futura in 2023, a public company listed on the Spanish BME Growth, through a reverse merger – valuing IFFE shares at €36m and Natac shares at €216m. IFFE Biotech is a biotechnology company dedicated to the research, development and production of omega-3 fatty acids (DHA/EPA) that is completing its first production facility in As Somozas (Galicia, Spain). Once the construction of the factory is completed (expected in 4Q24), Natac will have a fish oil refinery (human grade) capable of processing c. 10,000 metric tons of omega-3 in triglyceride format (RBD 30%, EPA/DHA), the format most widely used to meet the demand for human consumption. With a total investment already made of c. €20m and work at an advanced stage (c. 80%), the factory does not require significant additional investments.

**... offers an opportunity to expand its product range towards omega-3 for dietary supplements and functional foods.** With the acquisition of IFFE Biotech, Natac will significantly increase its production capacity while expanding its wide range of dietary supplements and natural extracts to include high-quality omega-3 (fish oil). This should open the door to cross-selling opportunities by leveraging Natac's existing customer base while offering new opportunities and new growth drivers. It would also enable Natac to support its current customers' demands for omega-3 for dietary supplements and functional foods.

**Strong international presence, not limited to Europe:** Natac has a highly diversified geographical revenue base, with Europe as the largest market (79% of sales).

Specifically, Natac operates through Spain (7% of net turnover as of 1H24), Rest of Europe (72% of net turnover; mainly in Italy, France, Germany and Switzerland), and other International markets (mainly the US and Asia). In total, the company operates in 45 countries, has 3 production facilities (2 for botanical extracts and 1 for omega-3) and 3 offices (Spain, US and Singapore) from where it manages a commercial network. Its main currencies are the US dollar and the Singapore dollar. In order to mitigate the impact of exchange rates, Natac enters into currency hedges in the event of significant exposure.

#### Net turnover by geography (1H24)



Source: Company data

Regarding Asia (the largest herbal extracts market), Natac entered the geography in 2022 by opening its first sales office in Singapore. This enabled the company to better serve this market, focusing its efforts on key nutraceutical and pharmaceutical territories such as Korea, China and Japan. In 2023, the Singapore office generated c. €5m of revenues, growing at 36% vs 2022, and the company expect the geography to growth by 22% in 2024.

**Innovation is at the forefront and provides competitive advantages:** Natac is committed to a continuous innovation-based model as it helps attract new customers as well as retain old ones. Product quality is also key, as it not only promotes customer loyalty but also increases barriers to entry and switching costs. In this regard, R&D is key to adapt to a constantly evolving market and offer a rapid response to new global and local demand trends with the most innovative and advanced products. The company has a strong scientific department and an R&D division that ensures constant innovation, positioning it as an innovative leader in the industry. R&D has helped grow high-value-added products, which tend to earn better margins – explaining Natac’s strong margins (c. 35% EBITDA margin vs c.18% average of the integrated players). This reach has helped the company increase customer loyalty while maintaining very low churn.

Examples of innovation include Natac’s Full Spectrum products, with extracts containing the complete active principles of the plant – while plants in the market were usually standardised to a single active ingredient – or the approval obtained from EMA/FDA (medicine authorities in Europe and the US, respectively) for the sale of a drug made by an American pharma company based exclusively on an olive tree extract made by Natac. The company is the sole supplier of this drug to the American pharmaceutical company, opening the door for significant growth in the pharma industry, in our view.

**Sustainext project will strengthen Natac's position in the botanical extracts industry:** In 2023, Natac was awarded the first European-funded flagship project for the production of botanical extracts, with a budget of €22m and a total grant of €14m (Natac was selected as its main beneficiary with a €9m grant with the remainder to be shared with other consortium members). Specifically, Natac is leading a consortium of 21 European partners to industrially deploy an intelligent, dynamic and analytical biorefinery – with a capacity of 20,000 metric tons – that integrates the entire feedstock supply chain and enables cascading valorization with the ambition of achieving zero pollution and zero carbon emissions. The programme will use 6 types of feedstock to develop 12 valorisation routes to produce 46 plant-based health extracts and functional ingredients, 13 of which are completely new and 12 of which are new to Europe. In this regard, the project will involve the cultivation of medical and aromatic plants such as rosemary, chamomile, and lemon verbena, along with the use of agro-industrial byproducts like olive, artichoke and pomegranate materials.

In 2024, Natac started the civil work to upgrade its manufacturing plant in Hervás (Extremadura), western Spain. This subsidized investment under the Sustainext project should enable the company to double its current production capacity at the facility (currently operating at c. 40%), which should come onstream by 2028.

### A wide range of products (from botanical extracts to omega-3) is a competitive advantage

Regarding the revenue mix, Natac reports its business within three segments: i) sale of botanical extract products (86% of 2023 revenues), ii) services (14% of 2023 revenues) and iii) omega-3 products. By segment, we highlight:

**1) Science-backed botanical extracts (86% of FY23 revenues):** Natac combines the extraction, purification and refining processes – enabling the company to obtain extracts with a high concentration of active ingredients. It produces a wide range of plant extracts from more than 40 different plants, some of which are patented (it currently holds 8 international patents). Currently, c. 50% of Natac’s products are sold on an exclusive basis as they are protected by patents and/or clinical studies – a competitive advantage in our view.

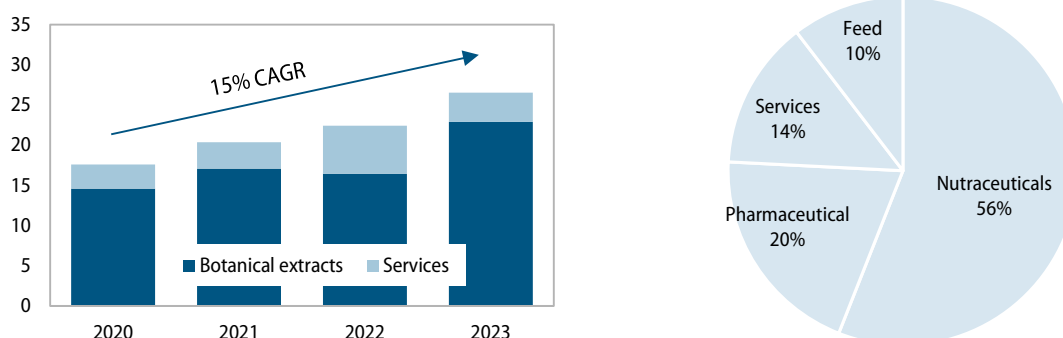
Specifically, Natac’s product portfolio has a high percentage of products obtained from Mediterranean plants due to its location in the Iberian Peninsula, but also includes other plants that are considered strategic for various reasons, such as market demand or the ability to offer a clearly different added value. The main plants from which Natac produces its extracts are olive tree, saffron, rhodiola, milk thistle, artichoke and grape, among others. Natac’s botanical extracts products portfolio includes:

- **Full Spectrum (a single extract that contains all benefits offered by the plant):** Typically, extracts obtained using traditional techniques concentrate on a given compound. To differentiate its offering, Natac has gone a step further by developing a new concept of standardised extracts based on the concentration of the main phytochemical compounds contained in a plant, in the same proportion as found in nature. Natac’s Full Spectrum product extracts include Olive, Grapevine, Artichoke, Hops and Saffron.
- **Branded ingredients:** This business is backed by scientific studies, both for the nutraceuticals and feed sectors. These include Satiereal (saffron ingredient for appetite control), Moodreal (which contributes to emotional balance, helps to support relaxation and maintain a positive mood), Elimreal (stimulates natural body elimination functions and body detoxification), Endolive (made from an olive extract that helps lower the leading risks of cardiovascular disease) and Pomolive (a natural combination of olive and apple bioactives that helps control four risk factors associated with the metabolic syndrome).

**2) Services (14% of FY23 revenues):** Natac obtains revenues arising from services provided to its customers and from its participation in an Economic Interest Grouping (EIG) under a framework agreement for the development of R&D activities – currently mainly related to the Sustainext project. This line of activity should decrease along with the reducing role of the EIG, and we factor this in our estimates.

**3) Omega-3:** Natac is completing the development of a plant for the production of omega-3. Once completed, it will produce omega-3 in triglyceride format (RBD 30%, 180 EPA + 120 DHA) – the format most widely used to meet the demand for human consumption. Natac aims to focus on functional foods and B2B sales.

Net turnover evolution by line of activity (left) in € m and FY2023 net turnover breakdown by sector (right)



Source: Company data

Natac's botanical extracts are used in a wide variety of applications in different sectors and markets. By sector of destination, Natac's products are mainly sold to:

- **Nutraceuticals (56% of 2023 revenues):** Natac works closely with the nutraceutical sector to develop innovative natural extracts with solid scientific evidence to improve cardiovascular health, metabolic syndrome, gut function, neuroprotection, joint health and wellbeing products. It has been Natac's main growth driver in recent years (18% CAGR in 2020-23), reaching €15m of revenues in 2023 (+48% YoY).
- **Pharmaceutical (20% of 2023 revenues):** Natac provides active pharmaceutical ingredients for the development of herbal medicines, as well as pure molecules of botanical origin used as starting materials for the synthesis of active pharmaceutical ingredients. In 2023, it received the approval of medicine authorities in Europe and the US to sell a drug made by an American pharma company based exclusively on an olive tree extract made by Natac. It is the sole supplier of this drug.

Natac's position in the pharmaceutical industry should strengthen further in 2024 with the GMP Pharma certification, enabling it to diversify its product portfolio with the addition of APIs. In our view, this milestone should represent a significant turning point as it would boost the company's revenue growth in the pharma industry. This effect should be visible as early as 2024.

- **Feed (10% of 2023 revenues):** Natac offers a wide range of ingredients and additives for aquaculture and terrestrial animals (such as swine, equine, poultry and ruminants) that improve animal health and production parameters. For further details, please refer to Appendix II on page 35.
- **Cosmetics (<1% of 2023 revenues):** This segment represents less than 1% of the company's revenues. Natac is using extracts from its microalgae unit and other plant extracts with a high level of protection against oxidative stress that damages the skin, in order to grow in cosmetics.

### Client and supplier base

**Recurring and growing client base:** Natac directly sells its products to B2B customers (mainly nutraceuticals, pharma and feed companies). Natac's top-20 clients represented 68% of its FY23 turnover, with the largest client representing c. 20% of the company's FY23 net turnover.

Natac has significantly increased its customer base in recent years (396 different clients in FY23 vs 156 in 2019), in line with its revenue growth. This demonstrates customer loyalty and low churn (the number of clients generating >€500k of revenues has increased from 1 in 2019 to 5 in 2022, thus increasing the diversification among its largest clients). At the end of 2022, top-15 clients represented 68% of product revenues, reflecting a gradual decrease compared with 81% in 2019. We do not see major concentration risks for Natac because client concentration should decrease as the company's business continues to grow.

#### Natac's client base

	2019	2020	2021	2022
Top-15 clients (€ m)	9	11	13	12
% of total product revenues	81%	77%	75%	68%
Total product revenues (€ m)	11	15	17	18
Total clients (#)	156	205	248	320
>€500k revenue clients	1	4	4	5
>€150k revenue clients	6	8	9	10

Source: Company data

**A concentrated supplier base on the back of long-lasting relationships:** On the supply side, c. 80% of FY23 purchases were made from the top-10 suppliers, mainly for plant/herbs raw materials, with the largest supplier representing 7% of Natac's FY23 purchases. On the other hand, in the omega-3 business, where the main raw material is pre-refined fish oil (human grade), the company is in the process of establishing contacts with suppliers to ensure a continuous high-quality supply. The supply of fish oil is highly dependent on the availability of fish stocks (mainly in South America) – which may result in raw material price volatility.

## Production plants – Capex already done

**Recent investments to boost mid-term growth:** Natac has 3 production facilities in Spain, 2 dedicated to the manufacturing of plant/botanical extracts (located in Córdoba and Extremadura) and 1 dedicated to the production of omega-3 (As Somozas, Galicia). The company is running at an average c. 40% capacity. This figure is explained by the recently built multiproduct new factory in Hervás (Extremadura) that has significantly increased Natac's production capacity and efficiency – with a turnover potential of €70m on its own, vs €27m revenues in FY23.

### Natac's manufacturing locations



Source: Company data

**Multiproduct factory (Hervás, Extremadura):** This was built in 2021 using €17m of investment. It has a surface area of almost 21,000 sqm, with the first phase of the factory including more than 6,500 sqm of production, office and warehouse space. The multiproduct factory focuses on plant extracts while combining different extraction technologies – expanding the company's product portfolio – with the most advanced equipment and machinery, with an estimated annual processing capacity of 3,000 metric tons of raw material. This would imply a total capacity worth c. €70m without considering any further enhancements. This capacity is expected to double from 2028 as a result of the optimisation of production processes following the technical improvements implemented as part of the Sustainext project. The investment need for this project is supported by grants.

### Natac's new manufacturing site in Hervás (Extremadura)



Source: Company data



**Olive extract factory (Palenciana, Córdoba):** Built in 2012, this factory is exclusively focused on the production of olive-tree extracts such as oleuropein, hydroxytyrosol, oleoic acid and maslinic acid, among others. We expect this factory to continue specializing in extracts derived from olives – with access to large quantities and varieties of the highest quality of raw olive – while the Hervás factory focuses on botanical extracts from various plant sources.

**Omega-3 factory (As Somozas, Galicia):** Natac completed the construction of its omega-3 factory located in As Somozas (Ferrol, Spain) in September 2024 – acquired from IFFE in 2023 through a reverse merger. With a total investment already made of c. €20m, the factory does not require significant additional investments. It has a surface area of 29,000 sqm. Specifically, Natac Omega-3 factory in As Somozas is a fish oil refinery (human grade) capable of producing 10,000 metric tons of omega-3 in triglyceride format – RBD 30%, 180 EPA + 120 DHA – the format most used to meet the demand for human consumption. Omega-3 production began in September 2024, implying a significant step-up in terms of revenue potential in 4-5 years (the factory should reach revenues of c. €50m at 50% capacity).

Natac’s omega-3 manufacturing plant in As Somozas (Galicia)



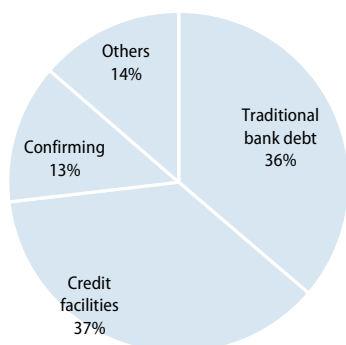
Source: Company data

### Capital structure – Net debt peaked in 2022 after a period of significant investments

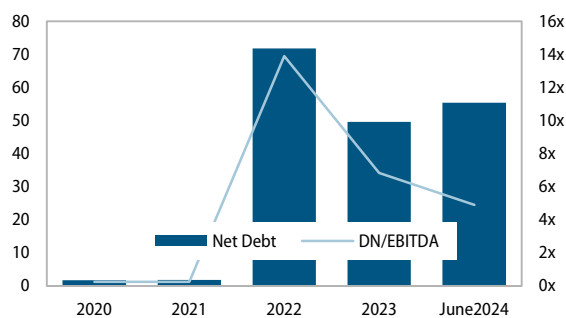
Natac’s recent investments in 2020-23 (c. €34m of cash funds) implied a significant increase in the company’s debt. Net debt peaked in 2022 after the construction of its new factory in Hervás (Cáceres), the build-up of inventories for its start-up (c. €15m impact on working capital in 2022-23) and the acquisition of Inoreal in 2022 (€11.4m). However, the capital increases carried out in 2023 for a total amount of €52m – although partially compensated by the distribution of an extraordinary cash dividend of €40m in November 2023 – enabled Natac to deleverage, with net debt reducing from €72m in 2022 to €50m at YE23. Regarding the current capital structure, we highlight the following aspects:

**Current debt structure:** Natac’s gross financial debt amounts to €56m (€55m in net terms as of June 2024), of which 36% corresponds to traditional bank debt (€20m), 37% to credit facilities (€21m) and 13% to confirming (€7m). Other debts (14% of total) include shareholders loans (€3.9m; euribor+5%), debts with Extremadura Avante Inversión (€1m) – a public-private local partnership that seeks to provide financial support to companies located in Extremadura, the region where the Hervás factory is located – and fixed-asset suppliers (€1m).

Natac’s gross debt structure by type (left) and Net Debt and ND/EBITDA (right)



Source: Company data





Regarding credit facilities, Natac Biotech entered into a €10m loan agreement with Andbank in October 2023, maturing in 2028. One of its conditions is that Andbank has the right to convert the amount owed into Natac's shares in the event of a default. This conversion would take place at a 20% discount to Natac's market price at the time of execution. At June24, the amount drawn under this credit facility was €9.7m.

**Convertible instruments (€9.9m):** Natac issued two convertible instruments totalling €9m in 2022, due in 2026-27, to strengthen its cash position to fund the construction of its omega-3 plant. Inveready, the asset management firm with a 12% stake in Natac, fully subscribed to the first issue (€2m) and partially subscribed to the €7m one. The latter was also subscribed by Key Wolf, the investment vehicle of Jose Poza. In the event of a change of control, bondholders may request an early redemption of the bonds.

The convertible instruments are in the money; thus, we exclude it from our Net Debt calculation. In November 2023, an amendment was made to the convertible agreement by setting the maximum number of new shares to be issued at 30m. This represents 6.89% of the current share capital, already adjusted in our valuation. Thus, our target price is fully diluted. The following figure provides details of the convertible instruments.

#### Convertible instrument details

Convertible bond (€ m)	Date	Total (€ m)	Maturity	Interest	PIK	Conv. price (€/shr)
Loan I & II	July 2022	2.0	2026	Eur + 3.50%	3.49%	0.33
Loan III	July 2022	7.1	2026-2027	Eur + 3.50%	3.49%	0.33

Source: Company data

Note: The convertible instruments benefits from a cap of 4.35% interest.

**Grants:** Natac owed grants worth €13m at June24. We do not consider these as debt because Natac's historical repayment rate is less than 1% of total grants received. However, we adjust the total amount in our valuation.

#### Natac's debt structure (2020-June24)

€ m	2020	2021	2022	2023	June 2024
LT financial debt	8	4	15	27	28
ST financial debt	10	18	26	20	21
Other LT liabilities	2	2	30	2	5
Other ST liabilities	1	1	1	2	2
Leases	0	0	0	0	0
<b>Gross debt</b>	<b>20</b>	<b>24</b>	<b>72</b>	<b>51</b>	<b>56</b>
Cash & equivalents	1	0	0	2	1
<b>Net Debt</b>	<b>19</b>	<b>24</b>	<b>72</b>	<b>50</b>	<b>55</b>
DN/EBITDA	3x	3x	14x	7x	5x
Convertible instruments	0	0	0	10	10
LT grants	0	0	4	11	9
ST grants	0	0	1	3	4

Source: Company data

**Capital increases:** In 2023, and considering the reverse merger with IFFE, Natac executed 3 capital increases:

- **A non-cash capital increase**, with the contribution of c. 95% of Natac Corporation's total equity. This implied the issuance of 304m new ordinary shares (70% of the current share capital) at a price of €0.675/shr, valuing Natac's shares at €216m. Furthermore, in February 2024, the company executed another non-cash capital increase for the contribution of the remaining 5% shares of Natac Corporation, thus now controlling the whole subsidiary (previously owned by Natac's core shareholders).
- **Two cash capital increases (November 2023):** Combined, these two cash increases injected €52m of additional liquidity and implied the issuance of another 80m of new ordinary shares (18% of current share capital) at a price of €0.675/shr – with a unit par value of €0.2/shr and a share premium of €0.475/shr.

**Extraordinary dividends (November 2023):** On 20 July 2023, Natac approved the repayment of €40m of share premium to its former shareholders as part of the IFFE transaction that closed in November 2023.

## Industry overview

### Deep dive into the plant extracts and Omega-3 markets

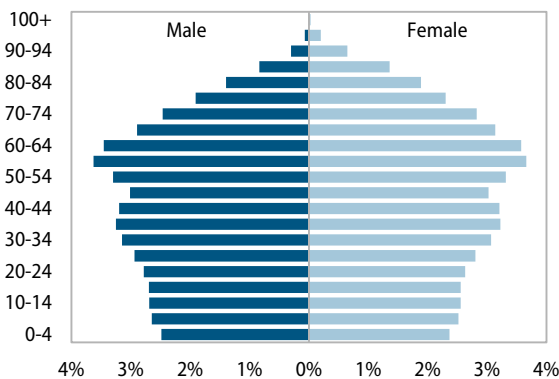
In this section we discuss why an aging population and increasing focus on wellbeing are expected to drive growth of the plant extracts and Omega 3 markets. These two markets are projected to grow in mid-single digits (MSD) over the mid-term, and we believe Natac is well positioned to capture growth in both segments.

#### A) Megatrends behind the increased use of plant extracts and Omega 3

##### #1 Aging population

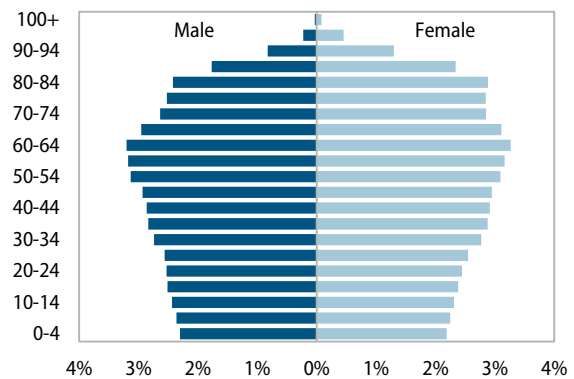
According to the United Nations, global life expectancy jumped by 19 years from 1960 until 2019. The increase in developed economies ranged 10 to 15 years. Looking forward, more than 14.5% of the global population will be aged 65 or older by 2050. In the case of developed economies, many countries will become super-aged – having more than 20% of their population aged older than 65. The following graphs depict the expected evolution of the Western European population pyramid between 2024 and 2050. Data shows an average 30bps reduction in the percentage of males and females aged 0-44, which is more than compensated for ages 60-94, which should grow by 40bps.

Western Europe population pyramid in 2024e



Source: United Nations

Western Europe population pyramid in 2050e

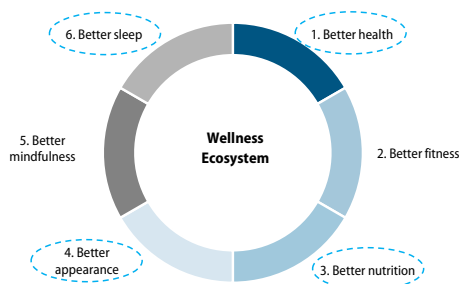


Source: United Nations

##### #2 Wellbeing

The wellness market has seen strong innovation and become increasingly crowded in recent years, particularly in areas such as personalized nutrition, vitamins, and beauty (according to studies by McKinsey). In the US, the total annual spending on wellness products and services reached close to US\$450bn, rising at a c. 5% CAGR. According to consumers surveyed by McKinsey, the wellness ecosystem covers six key dimensions, and plant extracts and Omega 3 have uses in four of them, in our view. We depict this aspect in the following figure.

Wellness ecosystem



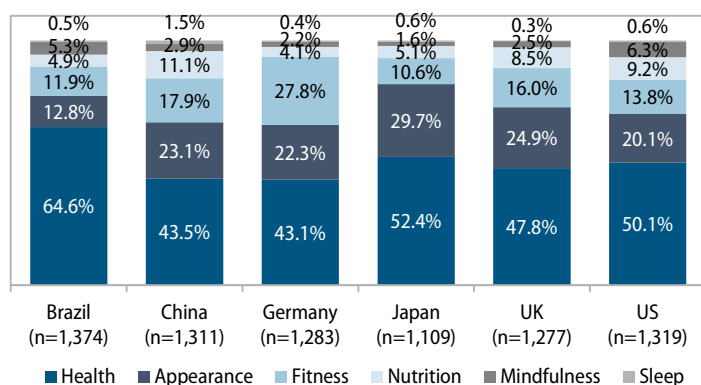
Source: McKinsey & Company

Each of the wellness categories include, but are not exclusive:

- **Health:** Over-the-counter medicines, vitamins and personal hygiene
- **Fitness:** Fitness clubs, studios, at-home fitness equipment, and fitness wearables
- **Nutrition:** Diet programmes, subscription food services, nutrition apps and juice cleanses
- **Appearance:** Skin care, dermo-cosmetics, hair care, and salon services
- **Mindfulness:** Counselling or therapy, meditation studios and mindfulness apps
- **Sleep:** Sleep supplements, app-enabled sleep trackers and other sleep-enhancing products

**Health leads in spending among consumers:** Health expenditure averages c. 50% of total wellness spending in the surveyed countries (as depicted below). This category extends beyond medicine and supplements, and includes consumer medical devices. Appearance, which accounts for c. 22% of consumer spending, includes beauty products (such as skincare and collagen supplements).

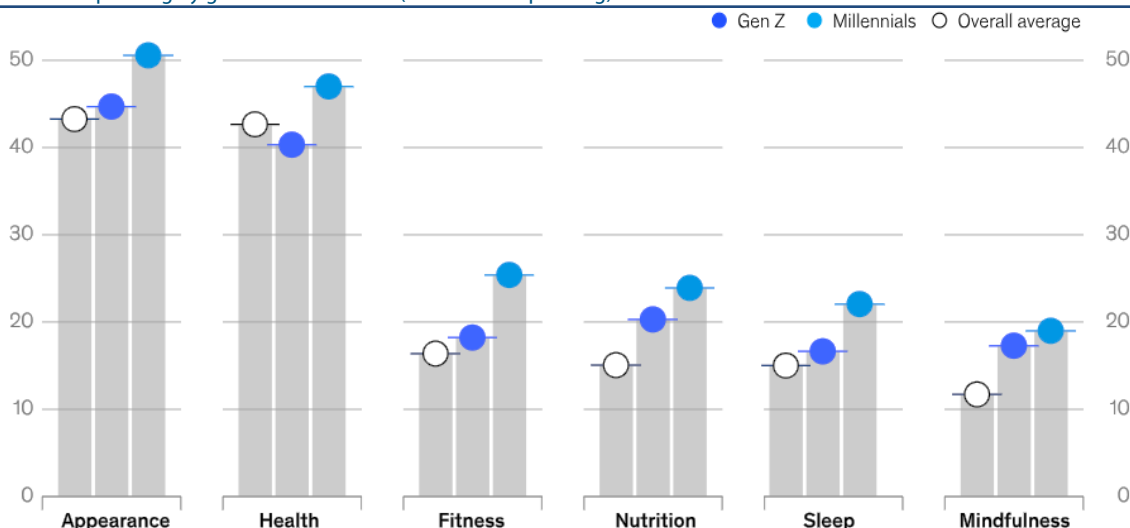
Wellness spending by category (% of annual spending)



Source: McKinsey & Company

**Wellbeing among top priorities for Millennials and Gen Z:** According to data from the United Nations, both generations represent almost 55% of the world’s total population. These two generations will be key for reshaping the wellness sector, as they are now purchasing more products and services than older generations, across the same abovementioned categories.

Wellness spending by generation in the US (% of annual spending)



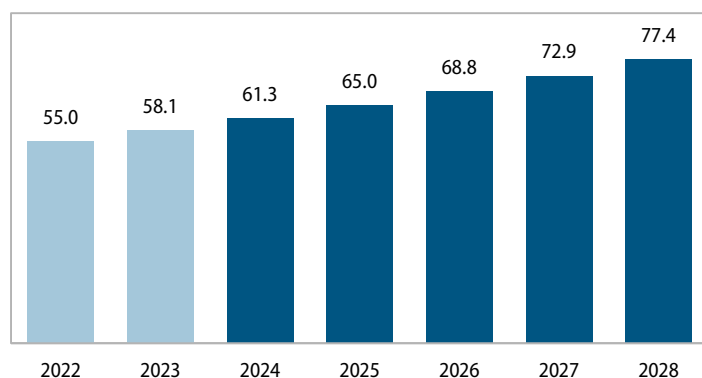
Source: McKinsey & Company

## B) Plant extracts – the core of Natac’s business

Plant extracts are concentrated substances obtained through biotechnical process, namely by maceration or percolation. The treatment of botanicals (such as olive, saffron, rhodiola, rchinacea and artichoke) yields different results depending on the final purpose, but overall they are related to wellness improvement.

**Expect double-digit growth:** Herbal extracts should be key drivers of growth for the plant extracts industry. The market was worth US\$58bn globally in 2023 and Precedence Research expects 5.9% CAGR until 2028.

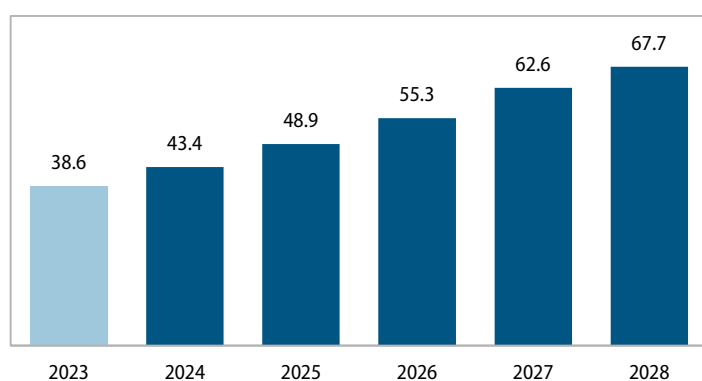
### Plant extracts global market (US\$ bn)



Source: Precedence Research

Herbal extracts had a predominant share of c. 75% of the plant extracts market as of 2023. By herb source, predominant species of fruits, flowers and bulbs accounted for c. 46% of the market in 2023. The herbal extracts market is expected to continue growing its share in the coming years (vs. other plant extracts); coupled with underlying growth, herbal extracts should see a c. 12% CAGR in 2023-28, up to US\$68bn.

### Herbal extracts global market (US\$ bn)

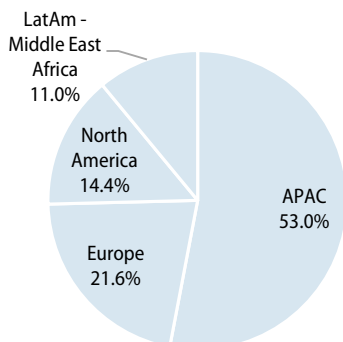


Source: Precedence Research

**APAC accounts for >50% of the herbal extracts global market.** APAC is the largest herbal extracts market, given its tradition of natural medicine practices. This market size is expected to see c. 10% CAGR in 2023-28, thus slightly below the overall industry. As for other regions, the European (c. 39% of Natac’s sales) and North American markets follow in size, accounting for 36% of the herbal extracts market.

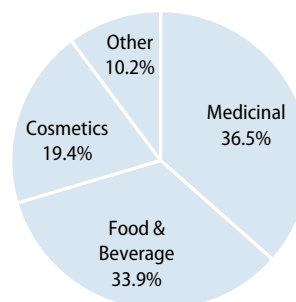
**The main end-use markets of herbal extracts are pharma and nutraceutical industries.** These segments represent c. 36% of the applications for herbal extracts, followed by the nutrition segment (c. 34% of the total) and cosmetic products (c. 19% of the total).

Herbal extracts market share by geography in 2023 (% of total)



Source: Precedence Research

Herbal extracts market share by application in 2023 (% of total)

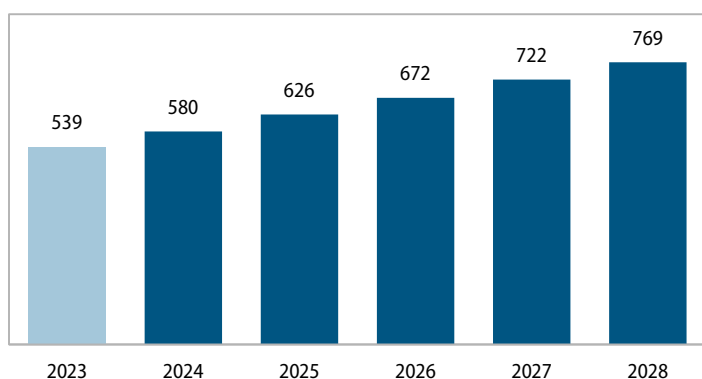


Source: Precedence Research

The key uses of plant extracts by main industries are:

- a) Nutraceuticals – from intervention to prevention:** Nutraceuticals can be defined as a substance with physiological benefit or which provides protection against disease. They can be used to improve health, delay the aging process and support the functions of the body. The nutraceutical market includes dietary vitamins and supplements (c. 25% of the market) and food and beverage supplements. Functional foods are highly nutritious and associated with a number of health benefits – they protect against disease, prevent nutrient deficiencies and promote growth and development. Some examples include foods fortified with vitamins, minerals, probiotics or fibre.

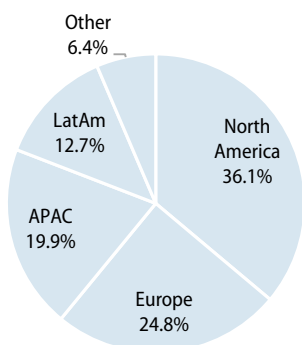
Nutraceuticals global market (US\$ bn)



Source: Precedence Research

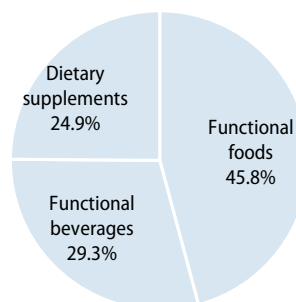
We illustrate the nutraceuticals market share by geography and application.

Nutraceuticals market share by geography in 2023 (% of total)



Source: Precedence Research

Nutraceuticals market share by application in 2023 (% of total)

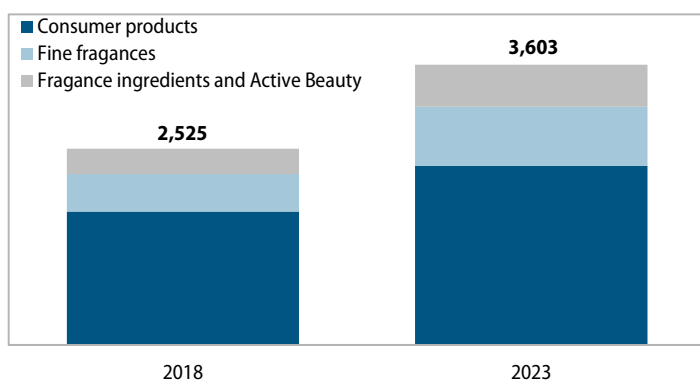


Source: Precedence Research

- b) **Pharmaceuticals:** The pharmaceutical industry requires active botanical pharmaceutical ingredients for the development of plant-based medicines, as well as highly purified natural molecules for use as starting materials for the synthesis of active pharmaceutical ingredients.
- c) **Cosmetics:** The cosmetics industry is shifting towards natural ingredients. These can be used for topical and nutricosmetic solutions through the extraction of phytochemical compounds. These ingredients can help minimize cellular aging or improve skin firmness, among other benefits.

A good example of this transition in the cosmetics industry, and underlying growth can be seen in Natac’s peer Givaudan’s Fragrance & Beauty division sales (48% of the Group’s total). This business’ unit sales grew in high single digits (HSD) from 2018 to 2023. We note that Givaudan is vertically integrated, unlike Natac. However, even if we were to exclude the Consumer Products sub-segment and inorganic growth during 2019-23, we would still reach c. 7% sales CAGR within the fragrances sub-segment.

Guivaudan’s Fragrance & Beauty sales (CHF bn)

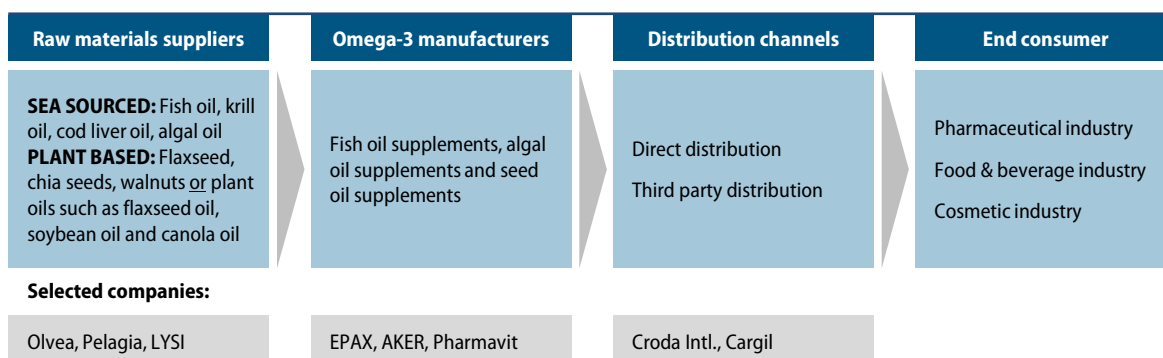


Source: Company data and JB Capital estimates

### C) Omega 3 – still small in size but promising business for Natac

**Omega-3 fatty acids are 'healthy fats' that support health functions.** These can help lower triglycerides. Specific types of Omega-3 include DHA (docosahexaenoic acid), EPA (eicosapentaenoic acid) and ALA (alpha-linolenic acid). DHA and EPA are extracted from sea sources, whereas ALA is obtained from plants.

Omega-3 market value chain

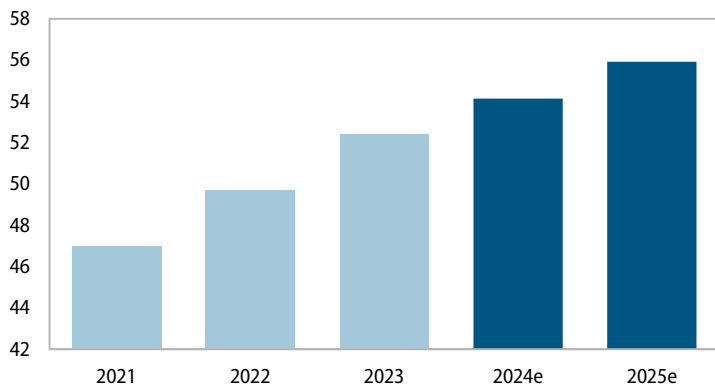


Source: Company data and JB Capital Research

**The EPA and DHA omega-3 finished product market size reached US\$52.4bn in 2023.** According to the Global Organization for EPA and DHA (GOED) Omega-3, the market was worth US\$47bn in 2021 and saw 5.6% CAGR until 2023. GOED forecasts 3.3% CAGR until 2025.



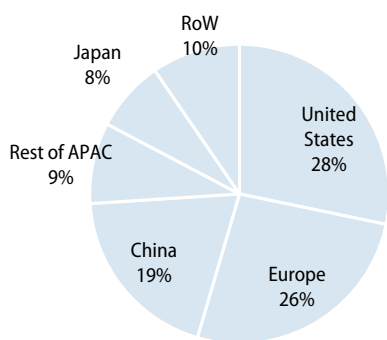
Omega-3 market size (US\$ bn)



Source: GOED

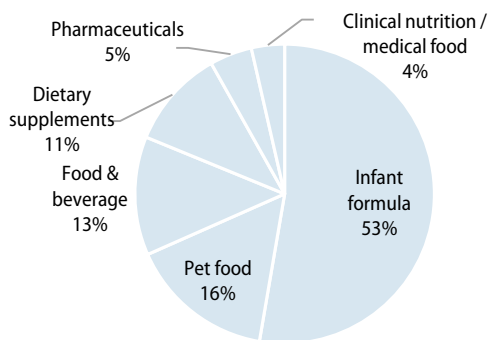
**The United States is the largest market**, followed by Europe and China. By application, the global infant formula market accounts for more than half of all EPA/DHA consumer product sales. The GOED expects the pet food and dietary supplements industries to exceed the overall market growth of c. 3%, growing at MSD, vs. low single digits (LSD) for the rest of applications.

Omega-3 market share by geography (% of total)



Source: GOED

Omega-3 market share by application (% of total)



Source: GOED

## Overview and strategy

Natac specializes in the research, development and production of functional natural ingredients and extracts of botanical origins with proven health benefits and a special focus on Mediterranean plants. In addition, since the acquisition of IFFE Futura in 2023, the company has incorporated a new research and production line based on omega-3 fatty acids. Natac's products have a wide range of applications in consumer food, animal feed as well as pharmaceuticals. It operates in 45 countries, has 3 production facilities (2 for botanical extracts and 1 for omega-3) and 3 offices (Spain, US and Singapore).

Natac's business ranges from the extraction of phytochemicals from raw materials of natural origin – through alliances with local producers such as farmers, co-ops and large food companies – to the product development and quality control, and the direct sale of finished products to B2B customers. This is one of the key differences between Natac and its competitors, as Natac only uses distributors to overcome specific language or cultural barriers – a strategy it adopted to enter the Asian market.

## Valuation and catalysts

**We initiate coverage of Natac with a Buy rating and a €0.80/shr target price (30% upside).** We value Natac through a discounted cash flow (DCF) methodology because we believe it is the most appropriate valuation technique to capture its expected top-line growth and profitability expansion.

Key catalyst include: i) Strong results releases (2024 out in April) should confirm Natac's top-line growth and consequent margin improvement potential as the company increases its utilization capacity; and ii) it is a potential M&A target, given the ongoing market consolidation in Europe.

Natac DCF valuation								
DCF Analysis	2025e	2026e	2027e	2028e	2029e	2030e	2031e	T. Value
<b>FCFF</b>	<b>-2</b>	<b>13</b>	<b>18</b>	<b>20</b>	<b>24</b>	<b>27</b>	<b>30</b>	<b>35</b>
Discount factor	1.0	1.1	1.2	1.2	1.3	1.4	1.5	1.5
<b>PV FCFF</b>	<b>-2</b>	<b>12</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>23</b>
EV (25e-31e)	98	19%						
EV - Terminal value	415	81%						
<b>Total EV</b>	<b>513</b>							
(-) Net debt 24e	53							
(+) Deferred tax assets/ (-) Liabilities @ BV	-1							
(+) Other Financial Assets	5							
<b>Total Equity</b>	<b>463</b>							
Nº of Shares (m shares)	434.8							
Convertible notes new shares (m shares)	30.0							
Treasury Stock (m shares)	0.5							
<b>Fair Value (€/Shr)</b>	<b>1.00</b>							
(-) Liquidity disc (20%)	-0.2							
<b>Target Price (€/Shr)</b>	<b>0.80</b>							

DCF Assumptions: 7.6% WACC for both, the explicit period and the terminal value and 2% LT Growth rate "g".  
Source: JB Capital estimates.

## Recommendation

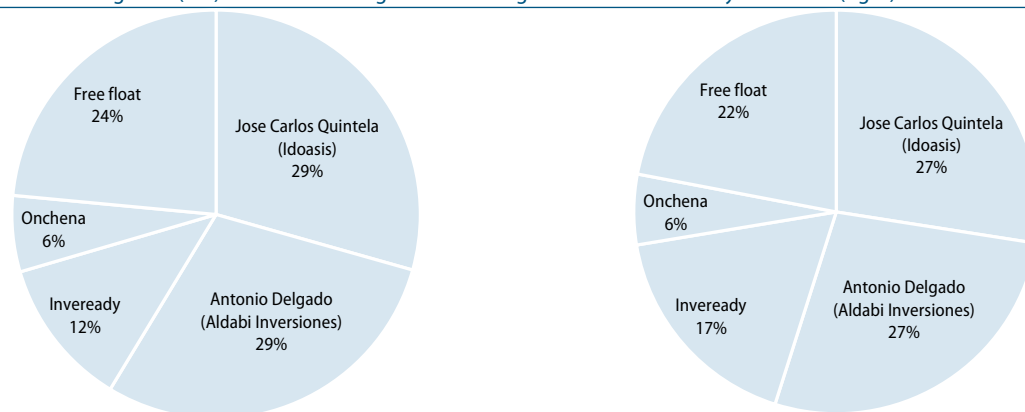
We initiate coverage of Natac with a Buy rating and a €0.80/shr target price. Natac is a niche player in the functional ingredients market. It specialises in the manufacturing of natural ingredients, mainly scientifically-based botanical extracts with proven health benefits, for different markets such as nutraceuticals and the pharma industry. Natac trades at 19x EV/EBITDA for 2025e in our figures (vs the 17x average for vertically integrated players). Although earnings drivers are industry-specific, we believe Natac deserves a premium due to its niche positioning in the natural extracts sector, higher exposure to the pharma business and a stronger growth profile than its peers, as it benefits from a growth angle coming from omega-3.

## APPENDIX I – Shareholding structure and board of directors

Shareholding structure: Founding partners remain in the capital with a 60% stake and hold key positions in the management team; free float stands at 24%

Natac’s largest shareholders are Jose Carlos Quintela and Antonio Delgado, founders of the company in 2010 with a 60% stake. If we also consider core shareholders such as Inveready (12%) and Onchena (6%), the free float stands at 24% of the share capital. Natac has convertible bonds granted by Inveready, amounting to c. €10m with a strike price of €0.33/shr, implying a maximum amount of 30m new shares if fully converted (c. 7% of the total issued shares). The following chart shows the shareholding structure assuming the convertible bond is fully converted.

Current shareholding base (left) and shareholding base assuming the convertible is fully converted (right)

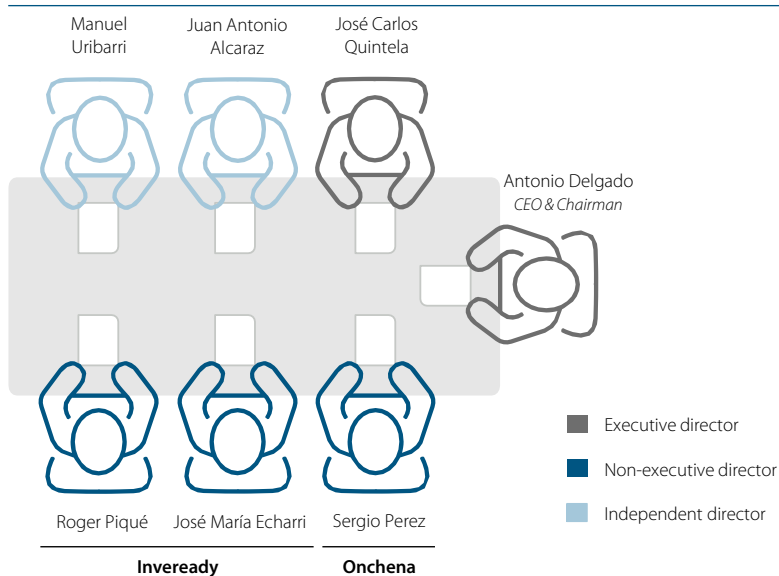


Source: Company data (as of 8 July)

### Board of directors

Natac board was renewed last May with the departure of David Carro (DCM Asesores), the former CEO of IFFE Futura and owner of c. 1% of Natac’s share capital following the reverse-merger deal. The board currently has 7 directors of which 2 are independent. CEO Antonio Delgado is the executive chairman. The board has high exposure to the share price with the executive and non-executive directors representing up to 76.6% of the share capital, implying a strategic alignment at the board level.

Natac’s board of directors



Source: Company data

## APPENDIX II – SCIENCED BACKED BOTANICAL EXTRACTS

### 1) FULL SPECTRUM

A single extract that contains all the benefits offered by the plant



#### Olive Extracts

##### Plant part used

Fruits and leaves



##### Health Benefits

- Cardiovascular health and hypertension
- Immunity
- Antimicrobial
- Neuroprotective health
- Diabetes
- Digestive health

#### Grape Extracts

##### Plant part used

Fruits and leaves



##### Health Benefits

- Cardiovascular health
- Antioxidant/ Antiaging
- Eye health

#### Artichoke Extracts

##### Plant part used

Leaves



##### Health Benefits

- Aid for digestion, IBS
- Liver function and protector
- Increase bile production
- Reduce cholesterol levels
- Lower blood sugar
- Detoxifying
- Diuretic
- Helps regulate blood pressure

#### HOPS Extracts

##### Plant part used

Strobiles



##### Health Benefits

- Physical symptom of menopause
- Mental stress relief and improved sleep

#### Saffron Extracts

##### Plant part used

Stigmas



##### Health Benefits

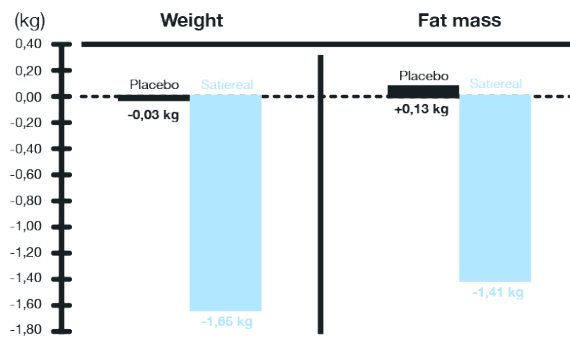
- Nervous system health
- Eye health
- Weight loss
- Digestive health

## 2) BRANDED INGREDIENTS FOR NUTRACETICAL SECTOR



A unique and natural patented ingredient clinically proven to manage appetite and reduce compulsive snacking. It is made from the saffron's stigma and its satiety properties make it highly efficient in weight-loss programs. Satiereal has gained regulatory sale's authorisation in most European and Asian countries and the US.

Results of randomised double-blind vs. placebo clinical study among 60 women



Source: Nutrition Research clinical study

### Products incorporating Satiereal

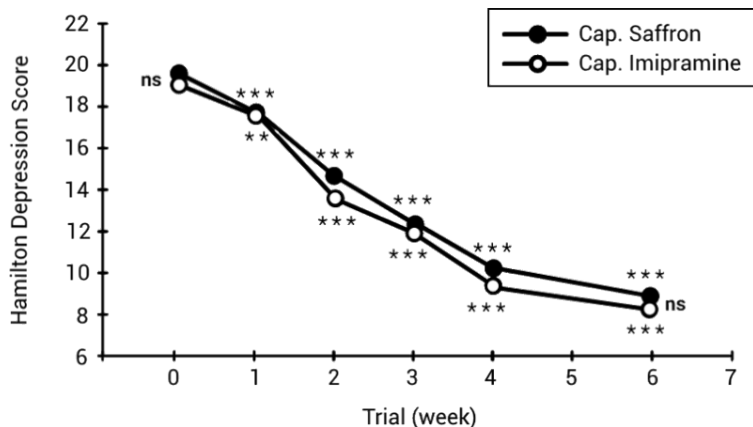


Source: Company data



A natural and powerful saffron ingredient proven to substantiate mood activity through the inhibition of the reuptake of Serotonin. It is the replica of the saffron extracts that have shown, in published human clinical studies, the ability to fight against sad mood more effectively than Placebo. Moodreal has no side effects and is usable in dietary supplements through beverages (water soluble) and traditional presentations such as tablets or capsules.

Results of clinical study vs placebo: SEM scores of two groups of patients on the Hamilton Depression Rating Scale



Note: ns = non-significant, \*\* = P < 0.01 and \*\*\* = P < 0.001  
 Source: Akhondzadeh S. and Al., 2005 Phytother Res Vol 19, 2:148-51

Products incorporating Moodreal



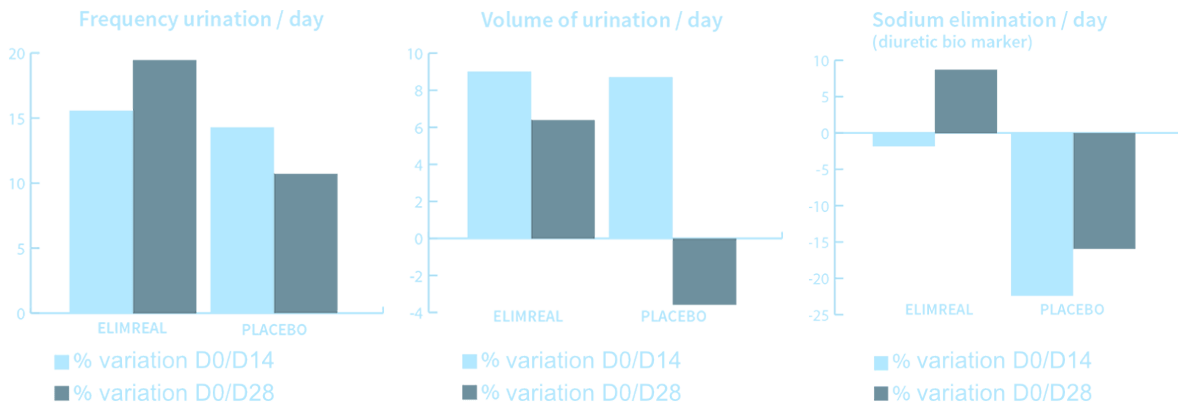
Source: Company data





A patented and exclusive blend of natural extracts combined in order to stimulate natural body elimination functions and body detoxification.

Results of randomized, double-blind vs. placebo clinical study among 95 women (20-50 years old – BMI 25-28 kg/m<sup>2</sup>)



Note: Detailsns = non-significant, \*\* = P < 0.01 and \*\*\* = P < 0.001  
 Source: Company data based on clinical trial

Products incorporating Elimreal



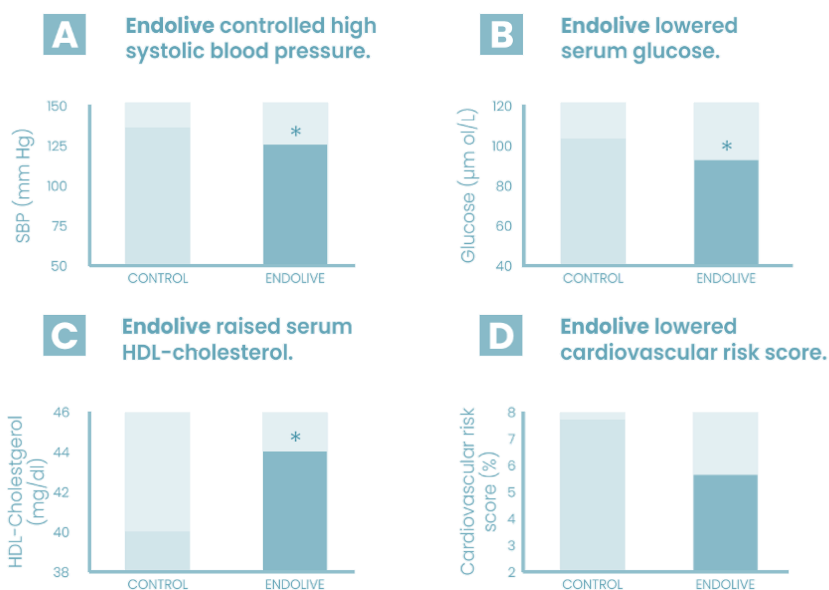
Source: Company data

## ENDOLIVE<sup>®</sup>

by Natac

A natural and clinically proven ingredient made from olive extract that helps to lower the leading risks of cardiovascular disease resulting from an unhealthy diet, sedentary lifestyle, smoking, and/or unhealthy alcohol consumption. It lowers serum glucose, increases HDL, controls systolic blood pressure and improves cardiac function.

Results of randomized controlled trial in 30 human volunteers at a dosage of 200mg per day for eight weeks



Note: Systolic blood pressure (SBP) (A), Serum glucose (B), Serum HDL-Cholesterol (C), and Cardiovascular risk score (Framingham Risk Score – 10-year risk prediction) (D) in Control and Endolive-treated subjects after eight weeks of treatment. \*  $p < 0.05$  vs Control  
Source: Company data based on clinical trial

## POMOLIVE<sup>®</sup>

by Natac

A natural combination of pentacyclic triterpenes derived from olives and a highly concentrated, polyphenolic apple-derived ingredient to control risk factors associated with metabolic syndrome.

The NATAC preclinical unit has developed several trials during the past months to prove the effectiveness of Pomolive to control Metabolic Syndrome. After eight weeks of treatment in genetically obese mice receiving Pomolive, results showed that the lumbar adipose tissue (equivalent to the visceral adipose tissue in humans) was reduced, as were glucose and triglyceride levels. These results prove the effectiveness of Pomolive in glucose and lipids management.

### 3) BRANDED INGREDIENTS FOR ANIMAL NUTRITION

#### Aquolive

A patented and natural olive extract that enhances health in fish that are farmed in the aquaculture sector. This translates into increased production, enhanced animal welfare, and improved salmon meat quality for human consumption. Aquolive is a feed additive included in feeding products (fish-based, plant-based or mixtures of both), which through a potent anti-inflammatory action protects fish against multiple challenges encountered during the growth cycle such as suboptimal diet composition, high water temperature and high pathogen load.

A study published in *Frontiers in Immunology* shows that Aquolive improves growth parameters, health markers, immunity and resistance in fish, while reducing the need for harmful antibiotics and antimicrobials. The study evaluated the effects of Aquolive on the innate immune response of Atlantic salmon by analysing their kidney (an organ similar to the human adrenal gland). After 133 days of supplementation with Aquolive, the salmon's immunity was significantly more active compared with the control group, driven by increased numbers of leukocytes, granulocytes and other immune-related biomarkers. In addition, as a secondary *in vivo* study, at the end of the treatment the researchers inoculated the fish population with a common but deadly salmon bacterium (*Aeromonas salmonicida*) and after 12 days it was observed that the Aquolive group had significantly higher survival rates than the control group.

#### Natacalm

A combination of extracts of the two most effective medicinal plants for stress relief (Passion flower and Valerian) that reduces stress levels in farm animals, poultry and ruminants. It also increases antioxidative activity, improves meat quality after slaughter, improves animal energy and behaviour and increases the rate of growth in animals.

#### Oligut

A patented product that combines polyphenols and triterpenoids from olives to provide control of chronic subclinical inflammation, thereby improving the intestinal function. It is used in pigs, poultry and ruminants.

#### Olifeed

An olive polyphenolic extract standardized in hydroxytyrosol, one of the most powerful antioxidants in nature. It behaves synergistically and uniquely with vitamin E, considerably enhancing its benefits and allowing to reduce the necessary dose of supplementation and therefore reducing costs for pig farmers. In the world of animal feed, Vitamin E is crucial to the optimal growth and health of piglets as it improves the flavour, smell and texture of the final meat product.

## P&amp;L

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Revenues	18	20	22	27	39	50	67
EBITDA	7	7	5	7	13	18	23
Depreciation	-2	-3	-4	-5	-5	-5	-5
Provisions	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
EBIT	6	5	2	3	7	13	19
Net financial result	-1	0	0	5	-4	-5	-5
Associates	0	0	0	0	0	0	0
Non-recurrent results & others	0	0	0	0	0	0	0
PBT	5	5	2	8	3	8	14
Taxes	-1	-1	-1	-2	-1	-2	-3
Results from discontinued operations	0	0	0	0	0	0	0
Minorities	0	0	0	0	0	0	0
Net Attributable profit	3	3	1	6	2	6	10

## BALANCE SHEET

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Tangible assets	15	15	16	26	34	45	45
Intangible assets	5	3	14	59	56	53	52
Financial assets & Associates	0	2	7	12	12	12	12
Other L/T assets	1	1	1	1	1	1	1
Inventories	5	8	14	16	17	19	26
Account Receivable	10	13	18	13	19	24	29
Other S/T assets	0	0	0	0	0	0	0
Cash & cash equivalents	1	0	0	2	2	2	11
TOTAL ASSETS	37	43	70	128	140	156	175
Shareholders' equity	9	13	-17	41	44	50	60
Minority interests	0	0	1	3	3	3	3
L/T Financial debt	9	6	45	29	31	33	33
L/T Provisions	0	0	0	1	1	1	1
Other L/T liabilities	1	1	6	22	22	22	22
S/T Financial debt	10	18	26	20	22	25	25
Accounts payable	5	4	8	7	12	16	25
Other S/T liabilities	1	1	2	5	5	5	5
TOTAL LIABILITIES	37	43	71	128	140	156	175

Source: Company data, FactSet and JB Capital estimates

## CASH FLOW STATEMENT

€m	2020a	2021a	2022a	2023a	2024e	2025e	2026e
EBITDA	7	7	5	7	13	18	23
Net financial result	0	0	-2	-4	-4	-5	-5
Dividends collected	0	0	0	0	0	0	0
Taxes	0	0	-1	-1	-1	-2	-3
Change in Working Capital	-1	-8	-7	-1	-1	-3	-3
Other CF from operations	-2	-1	-1	-1	0	0	0
<b>Cash Flow from Operations</b>	<b>3</b>	<b>-2</b>	<b>-6</b>	<b>0</b>	<b>6</b>	<b>8</b>	<b>12</b>
CAPEX	-12	-3	-16	-2	-10	-14	-3
Disposals	0	0	0	0	0	0	0
Financial investments	1	0	0	2	0	0	0
Other CF from investments	0	0	0	0	0	0	0
<b>Cash Flow from Investments</b>	<b>-12</b>	<b>-3</b>	<b>-16</b>	<b>0</b>	<b>-10</b>	<b>-14</b>	<b>-3</b>
Dividends	0	0	0	-40	0	0	0
Change in capital stock	0	0	0	52	0	0	0
Treasury stock variation	0	0	0	0	0	0	0
Debt variation (net)	7	4	22	-11	0	0	0
Other CF from financing	1	1	0	0	0	0	0
<b>Cash Flow from Financing</b>	<b>7</b>	<b>5</b>	<b>22</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
Exchange rate effect	0	0	0	0	0	0	0
<b>Net increase in cash &amp; cash equivalents</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>-4</b>	<b>-5</b>	<b>9</b>
<b>Net debt variation</b>	<b>19</b>	<b>5</b>	<b>47</b>	<b>-22</b>	<b>4</b>	<b>5</b>	<b>-9</b>

## Per share data/ Leverage/ Profitability/ Valuation

	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Last price (€)	1.7	0.4	0.6	0.7	0.6	0.6	0.6
Number of shares (m)	95	95	38	419	435	435	435
Market capitalization (€m)	175	86	21	389	270	270	270
Net Debt	19	24	71	49	53	59	50
EV (€)	194	110	93	438	323	328	319
EPS (€)	0.04	0.04	0.03	0.02	0.01	0.01	0.02
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ND/EBITDA (x)	2.7	3.3	13.8	6.8	4.3	3.3	2.1
ND/(Equity + ND) (%)	68.2	65.5	131.0	54.3	54.9	54.0	45.1
EBITDA margin (%)	41.3	36.3	23.1	27.3	31.7	35.6	35.0
EBIT margin (%)	31.3	23.8	8.5	11.2	18.6	25.7	27.8
ROE (%)	36.9	27.0	nm	15.5	5.3	12.5	17.1
ROCE (pre-tax) (%)	27.4	23.9	5.5	3.1	7.3	11.8	15.5
EV/EBITDA	26.8	15.0	17.9	60.4	25.8	18.4	13.7
EV/EBIT	35.3	22.8	48.7	147.1	43.9	25.5	17.2
FCFe yield (%)	nm	nm	nm	nm	nm	nm	3.4
FCF/EV (%)	nm	nm	nm	nm	0.1	nm	4.3
P/E	52.6	25.3	21.5	60.7	115.2	43.2	26.2
P/CF	34.4	14.4	4.6	35.6	35.9	24.1	17.8
P/B	19.4	6.8	nm	9.4	6.2	5.4	4.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, FactSet and JB Capital estimates

## PROFITABILITY

FY End Dec (%)	2020a	2021a	2022a	2023a	2024e	2025e	2026e
Gross Margin	71.0	75.0	73.7	76.3	71.6	69.6	64.8
EBITDA Margin	41.3	36.3	23.1	27.3	31.7	35.6	35.0
EBIT Margin	31.3	23.8	8.5	11.2	18.6	25.7	27.8
EBT Margin	27.6	23.6	10.2	31.8	7.9	16.6	20.6
Net Margin	18.9	16.8	4.4	24.1	5.9	12.4	15.4
Return on Assets	9.1	7.9	1.4	5.0	1.7	4.0	5.9
Return on Equity	36.9	27.0	nm	15.5	5.3	12.5	17.1
Return on Capital Employed	27.4	23.9	5.5	3.1	7.3	11.8	15.5
Return on Investment	7.3	7.9	1.9	9.3	-1.4	1.1	3.2

## VALUATION

FY End Dec (x)	2020a	2021a	2022a	2023a	2024e	2025e	2026e
P/E	52.6	25.3	21.5	60.7	115.2	43.2	26.2
P/E (diluted)	52.6	25.3	21.5	67.3	123.2	46.2	28.0
P/BVPS	19.4	6.8	nm	9.4	6.2	5.4	4.5
P/Tangible BVPS	19.4	6.8	nm	9.4	6.2	5.4	4.5
P/CFPS	34.4	14.4	4.6	35.6	35.9	24.1	17.8
P/FCFPS	nm	nm	nm	nm	nm	nm	29.7
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Div payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV	194	110	93	438	323	328	319
EV/Sales	11.0	5.4	4.1	16.5	8.2	6.5	4.8
EV/EBIT	35.3	22.8	48.7	147.1	43.9	25.5	17.2
EV/EBITDA	26.8	15.0	17.9	60.4	25.8	18.4	13.7
Net Debt/EBITDA	2.7	3.3	13.8	6.8	4.3	3.3	2.1
FCFe yield (%)	nm	nm	nm	nm	nm	nm	3.4
FCF / EV (%)	nm	nm	nm	nm	0.1	nm	4.3
Net Debt / (Equity + Net Debt)	68.2	65.5	131.0	54.3	54.9	54.0	45.1

Source: Company data, FactSet and JB Capital estimates

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Companya de Telecomunicacions, S.A., in October 2022 with Izertis, S.A., in January 2024 with GAM, General Alquiler de Maquinaria, S.A., in January 2024 with Audax Renovables, S.A. and in June 2024 with Natac Natural Ingredients, S.A. about "sponsoring research". Furthermore, JB Capital is liquidity provider of Metrovacesa S.A., Gestamp Automocion, S.A., Promotora de Informaciones S.A. (PRISA), Tubacex, S.A, Merlin Propiedades Socimi, S.A., Grenergy Renovables, S.A., Soltex Power Holdings S.A, and CIE Automotive, S.A.'s; it carries out Arima Real Estate Socimi, S.A.'s share buyback plan and it carries out Ibersol, SGPS, S.A.'s, Aedas Homes, S.A.'s and CTT - Correios de Portugal, S.A.'s buy-back programmes. Additionally, it was liquidity provider of Prosegur Cash, S.A., CIE Automotive, S.A., Lar España Real Estate Socimi, S.A., Pharma Mar, S.A., Opdenergy Holding S.A. and Arima Real Estate Socimi, S.A. and it carried out CIE Automotive, S.A., Prosegur Cash, S.A., Pharma Mar, S.A., CTT - Correios de Portugal, S.A.'s, Promotora de Informaciones S.A. (PRISA)'s, Prosegur, Compañía de Seguridad, S.A.'s, Tubacex, S.A.'s, Neinor Homes, S.A.'s, Lar España Real Estate Socimi, S.A.'s, CIE Automotive, S.A.'s, Arima Real Estate Socimi, S.A.'s and Grenergy Renovables, S.A.'s buy-back programmes. JB Capital provides brokerage services to Iberdrola S.A. Furthermore, JB Capital has provided, may be providing and may provide in the future brokerage services, or other regulated services, to the issuers listed above and JB Capital may be involved in other programmes involving shares of the companies included in this report. As a result, investors should be aware that JB Capital may have a conflict of interest that could reasonably affect the objectivity of this research report.

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