CUBE LABS

BUY

Sector: Pharma & Medtech

Price: Eu2.26 - **Target: Eu3.25**

Portfolio Expands, Liquidity Increases

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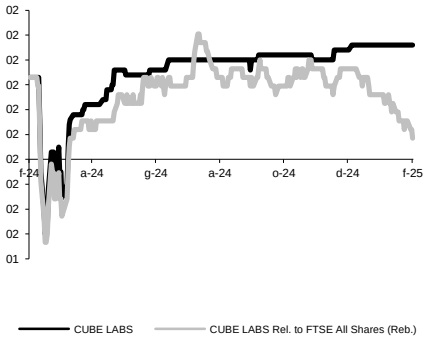
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS			

Next Event
2024 Results Out 26th May

CUBE LABS - 12M Performance



Stock Data			
Reuters code:			CUBE.MI
Bloomberg code:			CUBE IM
Performance	**1M**	**3M**	**12M**
Absolute	0,0%	2,7%	6,1%
Relative	-8,1%	-14,8%	-13,5%
12M (H/L)			2.26/1.50
3M Average Volume (th):			0,16

Shareholder Data	
No. of Ord shares (mn):	18
Total no. of shares (mn):	18
Mkt Cap Ord (Eu mn):	40
Total Mkt Cap (Eu mn):	40
Mkt Float - Ord (Eu mn):	8
Mkt Float (in %):	20,8%
Main Shareholder:	
Filippo Surace	67,4%

- **Turning the spotlight back onto Cube Labs, which is up +4.63% since our initiation of coverage in July.** 1H24 results showed the value of the investee portfolio has reached €53.4mn, up from €53.1mn at the end of the previous year. Revenues from services provided to investee companies rose 30.6% YoY, reaching €0.98mn. EBITDA remained in the red at €0.28mn, with a net loss of €0.45mn, while financial debt increased to €3.2mn. These figures are no cause for concern, but rather reflect the characteristic Cube Labs focus on the training and development of innovative startups in the life sciences sector.

- **Excellent progress with ongoing capital raise:** the capital raise for up to €4.9mn, which began in July 2024, is proceeding very well. 1.2mn newly-issued ordinary shares have already been subscribed, corresponding to 54.32% of the total shares offered, for a total value of €2.7mn. This was a clear sign of confidence, not just from the market, but also management, with CEO Filippo Surace investing €264k.

- **Big news in investee portfolio:** Adamas Biotech and DTech won National Research Council (NRC) grants for over €800k; two new startups (Lipovexa and FluoDetect) formed in partnership with INBB, based on studies carried out by professors from the Universities of Parma and Bologna; Health Ministry authorisation for a new clinical study for Bio Aurum; finally, Adamas Biotech nutraceuticals Theakine Prost and Theakine IBS-C were registered with the Health Ministry, bringing the launch of these products closer and closer. The search for suitable business partners for the finalisation of these projects is now essential.

- **Expansion to India and the UAE:** HiPerforming Research will market a customised edition of the IOThing platform, a system for monitoring and predictive maintenance in the industrial field, realized in partnership with B4. The subsidiary will retain marketing rights for the technology in India and the UAE, with the aim of generating annual revenues of €500k for B4. Works continue with Modi Group, one of the main industrial conglomerates in India, in order to consolidate and accelerate its entry into the Indian market. *For a more in-depth analysis, please refer to page 4 onwards.*

- **BUY recommendation confirmed, target €3.25**, based on the application of a 25% discount to 2025 NAV of €77.62mn, or €4.34 per share. Our view remains unchanged, reinforced by the company's diligent work; it is continuing with the capital raise, the expansion of its investee portfolio, and the registration of innovative products ready for launch on the market that will enable revenue creation. Developments in huge markets such as India would improve NAV further.

New coverage estimates, awaiting 2024 results	2023	2024	2025	2026	2030+
Asset Value (Eu Mn)	53.03	70.35	85.19	120.58	412.09
NFP (Eu Mn)	-1.57	-4.57	-7.57	-10.57	-25.00
NAV (Eu Mn)	51.46	65.78	77.62	110.01	387.09
Book Value (Eu Mn)	57.44				
NAV / Share (Eu)	2.87	3.67	4.34	6.15	21.63
BV / Share (Eu)	3.21				
P / NAV	0.75	0.59	0.50	0.35	0.10
P / BV	0.67				

1H24 results in brief

- Value of investee portfolio: €53.4mn, vs. €53.1mn at FY23
- Revenues from services provided to investee companies: €0.98mn, +30.6% vs. €0.75mn in 1H23
- Negative EBITDA of €0.28mn, vs. negative €0.21mn in 1H23
- Net loss of €0.45mn, vs. €0.32mn net loss in 1H23
- Net financial debt €3.2mn, vs. €1.6mn at FY23
- NWC €5.6mn, vs. €4.9mn at FY23

Results are no cause for concern, but rather reflect the characteristic Cube Labs focus on the training and development of innovative startups in the life sciences sector. The expansion in NWC is mainly due to trade receivables, which include an annual share of revenues from investees, in line with the business model that also involves providing financial support to the startup portfolio. Debt rose due to important development activities on the portfolio, with the maturity increasing: short-term liabilities were lower (€0.83mn vs. €1.46mn at FY23), but there was an upturn in medium/ long-term loans.

Excellent progress with ongoing capital raise

The capital raise for up to €4.9mn at a unit price of €2.2 per share, which began in July 2024, is proceeding very well. The process may end well before 31 December 2025, the deadline for participation in the offer.

Indeed, 1.2mn newly issued ordinary shares have already been subscribed, corresponding to 54.32% of the total shares offered, for a total value of €2.7mn.

Management has also participated, with CEO Filippo Surace paying €264k. The CEO's stake has fallen to 67.4%, from 71.4% at our initiation of coverage, with the market float rising to 20.8%, from 16.0% previously.

Updates to investee portfolio

We highlight the following significant developments in the portfolio of companies controlled by Cube Labs:

- Grants of over €800k obtained by Adamas Biotech and DTech from the National Biodiversity Future Center, an entity coordinated by the National Research Council (NRC).

  Adamas obtained a contribution of €425k, covering about 71% of the budget of a project related to an innovative nutraceutical, supported by a digital platform, aimed at improving the intestinal health of patients with irritable bowel syndrome.

  DTech obtained €394k, again covering 71% of the budget of a project that aims to create a protective biospray based on green tea catechins, aimed at preventing infections and improving protection of oro-nasal cavities against pollutants and microorganisms.

  Two new startups have been established in partnership with the National Institute of Biostructures and Biosystems:

- The first, Lipovexa, created with University of Parma Professor Marco Falasca, focuses on the development of natural and synthetic molecules for diabetes treatment, obesity control, and safeguarding liver health, with nutraceutical and pharmacological applications.

  Cube Labs, which has a 60% stake, will support the spin-off with at least €500k of operational funding, divided into tranches linked to research goals, to be disbursed over the 2025-2026 period.

- The second, FluoDetect, was created thanks to the research of Luca Prodi, a professor at the University of Bologna, and his research group. The newly-founded company deals with the development of advanced technologies for the detection of micro and nanoplastics, using electronic instruments based on fluorogenic probes. The laboratory-tested technology stands out for its high resolution and ability to distinguish between various types of particles, identifying different sizes and characteristics both in water, food and body fluids.

  Cube Labs has a 55% stake and will provide at least €150k of funding over two years.

- Health Ministry registration for Adamas Biotech nutraceutical: official registration has been obtained for Theakine Prost, a dietary supplement based on green tea catechins, dedicated to prostate health. The product is the result of clinical studies conducted by Professor Saverio Bettuzzi, which have demonstrated the effectiveness of the product in reducing lower urinary tract symptoms (LUTs) related to benign prostatic hypertrophy (BPH). Adamas can now focus on developing a commercial strategy for the product, with the aim of identifying a partner for marketing, which will not be carried out directly.
- Another Adamas Biotech nutraceutical achieves Health Ministry registration: a further press release has just been issued informing of the registration of a second nutraceutical at the Ministry, Theakine IBS-C, dedicated to patients suffering from irritable bowel syndrome with constipation (IBS-C), and more generally, to intestinal health. IBS-C is the product for which Adamas was awarded the €425k tender issued by the NBFC mentioned earlier, demonstrating the effectiveness of the Cube Labs model. Again, the next stage is to identify the best marketing partner.
- Bio Aurum receives Health Ministry authorisation for a new clinical trial, linked to the Neuretina MD medical device, which records, measures, and analyses data on eye movements, in order to detect changes linked to aging and the risk of developing neurodegenerative diseases. The innovative software device allows the collection and analysis of information in different conditions, through a simple, rapid, non-invasive approach; it enables assessment of the functioning of the visual-motor system in both physiological and pathological conditions.
- Hiperforming Research is preparing to enter the Indian and UAE markets. Under its own brand, the company will market a custom edition of the IOThing platform, created by B4, a company that designs and markets IoT solutions. The objective will be to generate €500k of annual revenues for B4 in the first year, through an exclusive 12-month agreement starting on 15 November 2024.

  In the following pages of this report we provide an in-depth study of the expansion into the Indian market by Cube Labs.
- Further portfolio developments are in the pipeline, with Cube Labs targeting a portfolio size of around 30 units, with an intermediate year-end target of 20 units. Particular focus is on antibiotic resistance and antimicrobial treatments.

Expansion into Indian market

In September 2023 Cube Labs signed an MoU[1] with the **Modi Science Foundation** in **India**. The foundation, recognised for promoting pioneering research, is led by Satish Kumar Modi, a prominent international figure. This event marks a very important step in the company's **internationalisation**; the agreement will evaluate the installation of a lasting tie-up, outlining a long-term plan for the development of health technology in India. This scientific and commercial bridge could help Cube Labs to leverage India's expertise in high-quality, low-cost healthcare solutions while bringing European advances in biotechnology and medical technology to the Indian market, fostering reciprocal growth and innovation.

In March 2024 the first edition of the Prix Galien India Awards, considered the equivalent of the **Nobel Prize** for drug innovation and pharmacological research, took place in New Delhi. The Awards are run by the Galien Foundation, a prestigious global organisation committed to the promotion of scientific and technological research in the medical sector, and the Modi Science Foundation (Modi Global Enterprises), led by Satish Kumar Modi of India's influential Modi family.

The ceremony, which was attended by Indian Health Minister Singh Baghel, featured Cube Labs as a special guest. During his opening speech, Satish Kumar Modi, President of Modi Science Foundation, **publicly announced** a strategic partnership between the Foundation and Cube Labs for the promotion and development of innovation in Life Sciences and Biotech in India.

[1] The Memorandum of Understanding (MoU) is an agreement signed to formalise collaboration between the parties, usually with the relevant sector association, aimed at promoting the exchange of information on the sector, regulations, and market trends.

The Indian Healthcare Innovation Market[2]

The Indian healthcare market was worth c.US$180bn in FY2023, and is expected to grow at a CAGR of c.12%, reaching approximately US$320bn by FY2028. Healthcare innovation accounts for c.15% of this overall market, or c.**US$30bn**. The healthcare innovation market has almost doubled in the last three years, starting from a base of US$17bn in FY2020.

Healthcare innovation in India represents a US$30bn opportunity, mainly driven by **pharmaceutical** and **healthtech** services. By **FY2028**, this figure could double to c.**US$60bn**. Interest in the **medtech** and **biotech** sectors is emerging, and signs of growth are beginning to emerge. The future of innovation is likely to be influenced by the increasing consumerisation of healthcare and deepening Indian scientific and technological expertise, combined with a favourable regulatory environment.

Main areas of healthcare innovation

- **Pharma (US$16bn):**
  - Pharmaceutical Development and Manufacturing (CDMO), Contract Research (CRO) and Pharmaceutical IT.
  - Growth driven by the strategic shift of global supply chains from China to India.
  - Increasing foreign investment thanks to high quality workforce and presence of FDA-approved factories.
- **Healthtech ($7B):**
  - Solutions for virtual appointments, e-pharmacy, and SaaS health management platforms.
  - Rapid expansion thanks to vertical and horizontal integration and the adoption of “phygital” business models.
  - More than 10,000 start-ups in the market, a focus of innovation in India.
- **Vaccines and biotech ($4B):**
  - World leader in vaccine production, it meets about 60% of global demand.
  - Emerging growth in cell and gene therapies and next-generation sequencing technologies.
  - Long R&D cycles and high investment risk have limited the inflow of funds to biotech start-ups from traditional investors. Nevertheless, innovative models have emerged (e.g., milestone-based models) that mitigate risk for investors, incentivising greater investment flows into the sector.
- **Medtech ($3B):**
  - An import-dominated sector, Indian manufacturers have a meagre market share.
  - Use of advanced technologies such as robotics, 3D printing, artificial intelligence.
  - Particular focus on niche diagnostic areas (e.g. Niramai's artificial intelligence-based breast cancer detection tool, or SigTuple, which has developed an in vitro diagnostic device to automate manual microscopy).

Investor sentiment

Investments in healthcare innovation have remained relatively flat over the last 5 years, fluctuating between **US$1.5bn and US$2bn** per year, with the exception of FY2022 when the overall value reached c.US$4.2bn thanks to exceptional investments in PharmEasy (for a total of c.US$1.5bn).

Investments have held steady across all deal phases. 80-90% of investment volumes are concentrated in seed and early-stage VC rounds (series A and B funding), 3-7% in late-stage VC rounds (series C funding

[2] Source: Healthcare Innovation in India, Bain & Company, 2024

and later) and less than 5% in late-stage PE rounds and other deals. Healthtech has continued to attract interest, attracting over 55% of total investment volumes in recent years.

We would specifically highlight the growing appetite for investments in medtech and biotech. Historically, the medtech and biotech sectors have seen low levels of venture capital funding. Investor reluctance was caused by long R&D and monetisation cycles, the risk associated with binary outcomes, and a lack of the in-depth technical skills needed to evaluate activities in these areas. These trends are beginning to change, however, with the emergence of specialist sector funds, increasing numbers of technically competent family offices, and the introduction of new investment/exit models that address the issue of long monetisation cycles.

Essential actions for emerging players

Insurgents must:

- Identify efficient customer acquisition methods, improve operational efficiency and define a clear path to profitability.
- Define and build defensible competitive barriers, through:
  - Seamless customer experiences (e.g. horizontal integration).
  - Superior business models (e.g. vertical integration).
  - Differentiated technology (e.g. deep tech technologies).
- Actively explore strategic partnerships, seek early adoption of advanced technologies.
  - For healthtech players, partnerships with traditional players or other innovators will be critical to efficiently building an integrated customer journey.
  - For medtech and biotech players, partnerships within the ecosystem to support development, distribution and commercial operations will be key to success.
- Embrace new artificial intelligence and machine learning technologies:
  - Advances in AI/ML technology and its increased use will affect all healthcare segments. Advances in AI models are now starting to demonstrate capabilities that rival those of humans in many areas: understanding visual, spoken, or written content; communication and creation; reasoning and planning; response time and ability to act and use tools.
  - These capabilities will lead to fundamental changes in R&D, manufacturing, supply chain management, commercial operations, and healthcare. Further new solutions, companies, and profit areas are likely to emerge over the coming years, driven by the adoption of cutting-edge technologies.

Focus on... Artificial Intelligence[3]

IndiaAI Mission is a strategic initiative launched by the Indian government to promote the development and integration of AI in various sectors. The main goal is to transform India into a global hub for AI, making use of its highly-skilled human resources and growing technological infrastructure to accelerate economic growth, improve public services, and address complex societal challenges.
This mission represents a long-term commitment to transform India into a global hub for AI innovation and application.
It involves the establishment of numerous AI Centres of Excellence (CoE) in partnership with academic institutions, technology companies and research organisations. These centres will act as platforms for R&D, Innovation and Training, targeting key sectors such as:

- **Healthcare:** use of AI for early diagnosis, telemedicine, patient data management and pharmacological research.
- **Agriculture:** optimisation of agricultural practices through predictive analysis, water resource management and crop monitoring.
- **Education:** personalisation of learning, automated assessment and access to quality training resources.
- **Smart Cities**: intelligent traffic management, public security surveillance and optimisation of urban services.

[3] Source: https://indiaai.gov.in/

- **Finance:** fraud detection, risk analysis and improving financial inclusion.

International partnerships are a key element of the IndiaAI Mission, as they facilitate global collaboration in artificial intelligence. With these partnerships, India aims to exchange knowledge and technologies with countries and organisations that are sector leaders, promoting joint research to address global challenges through AI-based solutions. India is also actively involved in setting international standards and ethical guidelines for the responsible use of AI, contributing to the development of global regulations. Furthermore, these partnerships create opportunities for skills development through educational and professional exchange programmes, enhancing the AI skills of Indian students, researchers, and professionals.

Initiatives include bilateral agreements with countries and academic partnerships between Indian universities and foreign institutions. India also participates in international consortia such as the Global Partnership on Artificial Intelligence (GPAI). These collaborations offer benefits such as access to global resources, accelerating innovation through the exchange of ideas, and strengthening India's role as a key player in the global AI ecosystem.

The IndiaAI Mission attaches great importance to **supporting start-ups**, recognising them as key drivers of innovation and economic growth in the AI sector. The government provides funding and incentives through dedicated funds, such as the India Startup Fund, and offers tax breaks to reduce the burden on tech start-ups. In addition, incubators and accelerators are made available to provide workspaces, laboratories and shared services, as well as access to data and platforms to facilitate the creation of AI solutions.

Training and mentoring programmes are implemented to develop technical and entrepreneurial skills, while market access is facilitated through public procurement programmes and support for participation in international fairs and conferences. The government also simplifies regulations, reducing red tape for the registration and operation of start-ups and offering assistance in the protection of intellectual property.

Reflections on Cube Labs

Cube Labs is configured as a strategic player, well positioned for entry to the Indian market, which is a hugely valuable opportunity in an ever-expanding economic landscape. The decision to establish itself in this market at this precise moment, with the support of Modi Group, a local partner of great depth and outstanding repute, amounts to a potential turning point. This partnership could facilitate access to new financial resources, paving the way for significant operational progress with a positive impact on business development and technological innovation

Cube Labs is uniquely positioned to capitalise on the enormous research and development potential of India, with privileged access to a vast pool of highly-skilled scientific talent. Thanks to favourable government policies aimed at promoting innovation in the health sector and incentivising digital transformation, India offers fertile ground for Cube Labs to grow.

The company's business model, aimed at transforming early-stage research and development activities into practical solutions for the healthcare sector, aligns perfectly with the strengths of the Indian market. One of the key benefits that India offers the life sciences industry is **cost effectiveness**: India's skilled and accessible workforce, competitive operating costs, and inexpensive production facilities make it an attractive destination for companies looking to establish a presence in the biopharma and biotech sector.

Cube Labs could therefore achieve **significant growth with relatively low investment**. The company's strategic focus on biopharma, medtech, and digital health technologies puts it in an ideal position for accessing rapidly-expanding market segments. These sectors, driven by the robust growth of the Indian healthcare market, offer particularly attractive development opportunities in a favourable economic and regulatory environment, fostering innovation and technological transformation.

These factors offer Cube Labs an unprecedented opportunity to consolidate its presence and become a key player in healthcare innovation in India. The potential to create a **scientific and commercial bridge** between Europe/Italy and India is substantial: collaborations with top Indian universities and R&D centres can facilitate the exchange of knowledge and technologies, accelerating innovation in both regions. This bridge can help Cube Labs make use of India's expertise in low-cost, high-quality healthcare solutions, while bringing European advances in biotech and medtech to the Indian market, encouraging reciprocal growth and innovation.

What technologies can Cube Labs offer to the Indian market?

Here are some pointers on the technological innovations that Cube Labs can bring to the Indian market.

HiPerforming Research

HiPerforming Research technology could fit very well into the Indian market thanks to growing demand for advanced solutions in various key sectors. India, with its massive population and rapidly expanding economy, is ideally placed to adopt innovations based on artificial intelligence and automation.

The subsidiary develops solutions based on **artificial intelligence** for a number of areas including industry, marketing, and research. Deep learning and edge computing technologies are used to create low-cost, energy-efficient applications. Its cutting-edge deep learning and computing technologies were initially intended for quantitative analysis of microscopic images, but the range of end-uses is far wider.

HiTrace: automation of microscope imaging to identify, count and measure relevant particles. It reduces research costs by improving studies on therapeutic targets, which usually include expensive and long-term *in-vitro* and *in vivo* studies. Currently, most microscopic imaging research and diagnostics involves finding, measuring, and understanding specific particles. The process of particle identification and classification is mainly manual, which means that finding, identifying, measuring and classifying each particle in each image is done by human operators. Even automated technologies such as cellular sorters require parameters to be set manually. The software facilitates tasks such as identifying abnormal white

blood cells, often done manually. HiTrace applications have also shown their worth in the food industry, detecting alterations in fresh and frozen foods, thereby ensuring their freshness.

HiSales: automation for sales personnel to create presentations, offers and documents in minutes. HiSales is an AI system that enables commercial companies to adopt a smart and innovative sales method. Sales agents on the HiSales network are facilitators who are constantly updating the entire system, increasing the precision of business sales operations thanks to built-in error prevention and, not least, saving time for other business development activities.

IOThing: a conditions-based maintenance platform, conceived in response to real market needs, transforming theory into reality. It is the first and only predictive maintenance system that fully integrates portable intelligent detection devices, perfectly adapting to the needs and growth of the specific predictive maintenance process. A fully integrated system, with every single element designed and built to work perfectly with all the others, producing an optimal overall result.

BioDiapers

The Indian baby diaper market should grow from c.US$794mn in FY2021 to c.US$1,092mn in FY2027, a c.5.62% CAGR over the forecast period. Numerous multinational brands have entered the lucrative Indian baby diaper market thanks to factors such as changing preferences in India from traditional to disposable diapers, the continuously rising birth rate, and greater female participation in the workforce, with the urban female workforce growing at an annual rate of 5.6%.

BioDiapers develops **biodegradable and hypoallergenic absorbent products** for infants, women and the elderly. The mission is to raise the standard of absorbent products using natural materials and super-absorbent technology based on nanoclay particles, and at the same time reduce the environmental impact of conventional disposable diapers, which take hundreds of years to decompose.

BioDiaper products are patented, organic, completely hypoallergenic, antibacterial, free of chemicals and dyes, leak-proof, **low-cost** and biodegradable. The investee's key innovation involves micro-granular clay bonded to natural fabrics through its patented formulation process. The result is a sanitary product that enables super absorbency compared to standard products, eliminating adverse skin reactions that frequently occur with standard products, resulting in a high degree of containment and a consequent reduction in the incidence of the urinary tract infections (UTIs) associated with traditional products..

Investment Conclusions

We confirm the BUY recommendation published in our initiation of coverage, with a target price of €3.25.

This target price expresses the 12-month view for 2025, with NAV forecast to double compared to current market values. We expect steady value growth in future years as the various project milestones are achieved, leading in the most optimistic scenario to a NAV of €77.6mn (€4.34 per share).

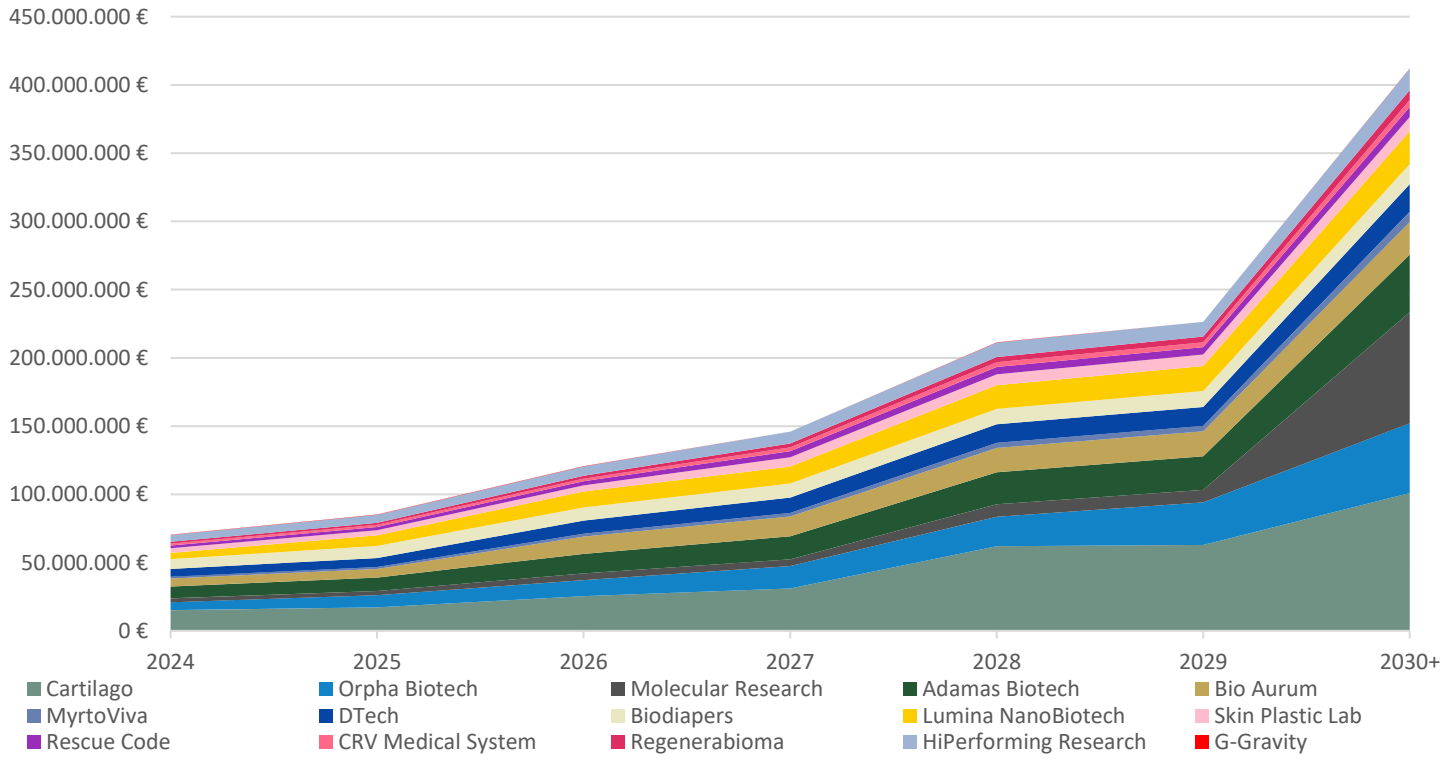
The long-term view (2030 onwards) assumes a NAV of €387mn, 10x the implicit NAV expressed by the market today. The fair value is around €16.22 per share, 7.51x current market prices.

Our view remains unchanged, reinforced by the company's diligent work; it is continuing with the capital raise, the expansion of its investee portfolio, and the registration of innovative products ready for launch on the market, which will enable revenue creation and improve the company's fundamentals. We would take an even more positive view if we were to include developments in huge markets, such as India. We await further news and 2024 results before adjusting our estimates on the company.

We also note that current NAV projections do not include new investees Lipovexa and FluoDetect, and assign a cautious valuation to the two most recent ones, Myrtoviva and Regenerabioma.

At current prices, Cube Labs amounts to an excellent investment opportunity, offering investors access to a company of excellence with very high growth prospects. Not only is Cube Labs trading at a hefty discount to current asset values, it also offers the opportunity to participate actively in the burgeoning growth of a high potential sector such as biotechnology research and development, taking advantage of the lower cost of research in Italy compared to more advanced markets like the US, and from the vast network of academic contacts and strategic partnerships that the Company brings with it as intangible added value.

Cube Labs company portfolio value breakdown at control %



Source: Websim Corporate elaborations

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	**CUBE LABS**		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	3.25	Previous Target (Eu):	3.25
Current Price (Eu):	2.26	Previous Price (Eu):	2.16
Date of report:	03/03/2025	Date of last report:	02/07/2024