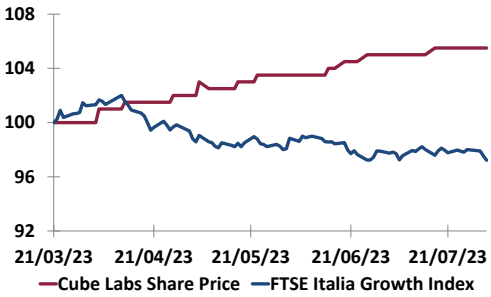
CUBE LABS

NEUTRAL

Current Share Price (€): 2.11
Target Price (€): 2.00

Cube Labs - Performance since IPO



Source: S&P Capital IQ - Note: 21/03/2023 (IPO offer price)=100

Company data

ISIN number	IT0005532483
Bloomberg code	CUBE IM
Reuters code	CUBE.MI
Industry	Health care
Stock market	Euronext Growth Milan-PRO
Share Price (€)	2.11
Date of Price	02/08/2023
Shares Outstanding (m)	17.1
Market Cap (€m)	36.0
Market Float (%)	12.0%
Daily Volume	0
Avg Daily Volume since IPO	1,330
Target Price (€)	2.00
Upside (%)	-5%
Recommendation	NEUTRAL

Share price performance

	1M	3M	IPO
Cube Labs - Absolute (%)	0%	3%	5%
FTSE Italia Growth Index (%)	-1%	-1%	-3%
IPO Range H/L (€)		2.11	2.00
IPO Change (€) / %		0.11	5%

Source: S&P Capital IQ

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Life sciences venture builder

We initiate coverage of Cube Labs: NEUTRAL rating, Target Price €2.00 per share

Cube Labs, listed on Euronext Growth Milan - PRO since March 2023, is an Italian venture builder which engages in healthcare&life sciences technologies R&D projects, identified through a network of partners, to promote scientific research and technological development. Academic research projects selected by Cube Labs have passed proof of concept testing phase and Company's goal is to carry on further research stages, contributing to their industrial development. Current portfolio consists of 12 start-ups, typically holding a control share.

The perks of a venture builder. VBs play a key role in technologies deployment, as they combine professional, managerial and scientific experiences to structure to support science-based start-ups coming from scientific and academic research. This approach ensures high control from the early stages: VBs retain guidance on industrial and commercial development, while gradually opening subsidiaries capital to investors. If successful, VBs accelerate the time-to-market for new technologies, increasing quality and reducing development cost thanks to their management teams abilities. All of this would result in a more effective and efficient use of invested capital in and by the start-ups held, and in more new technologies available.

Fostering life sciences with an innovative approach. Cube Labs' team consists of entrepreneurs and professionals experienced in healthcare&life science, actively contributing to projects development. Cube Labs aims to foster, promote and enhance research activities in biotechnology. Internal know-how and resources are committed to research projects development through the establishment of vehicle companies in partnership with academic researchers, following the project lifecycle to reach a marketable scientific and managerial maturity. Goal is lead projects' pipelines to the market, directly or through strategic alliances.

Clear revenue model, limited investment. Historically incomes are closely linked to R&D timing, thus biotech is an opportunity for long-term investors: investments increased by 148% in 2019-21 and this trend is expected to continue with larger investments. After an unexpected resilience in 2020, according to Precedence Research, the global biotech market is expected to reach over $1,500bn by 2030, with a 8.7% CAGR 2022-30.

Target Price €2.00 per share, NEUTRAL recommendation

Cube Labs is an early-stage company, with limited operating history. It will continue to invest in new biotech projects and to support portfolio companies in a long-term horizon to exploit the early-stage funding. Cube Labs value lies in its portfolio companies and the underlying assumption is the advancement of most portfolio projects. We initiate Cube Labs coverage with a NEUTRAL rating and Target Price per share of €2.00.

KEY FINANCIALS AND ESTIMATES

€m	2019	2020	2021	2022
Revenues	**0.6**	**1.0**	**1.1**	**1.1**
YoY%	*-*	*67.3%*	*18.6%*	*1.4%*
EBIT	**0.2**	**0.3**	**0.4**	**0.0**
Margin	*41.1%*	*34.9%*	*36.0%*	*4.2%*
Net Income (Loss)	**0.1**	**0.2**	**0.2**	**(0.1)**

Source: Company data 2019-22

The Issuer is a corporate client of EnVent Italia SIM S.p.A., thus this Note is to be intended as a marketing communication, not an independent research. See final two pages for important disclosures.

1. INVESTMENT CASE

Company

Cube Labs, listed on Euronext Growth Milan - Professional segment, is an Italian venture builder specialized in healthcare & life sciences technologies R&D projects, identified through a network of partners - university and research centers - and a partnership with the Italian Istituto Nazionale Biostrutture e Biosistemi (INBB). Cube Labs selects academic research projects that have passed proof of concept, contributing to their industrial development and promoting scientific research and technological development activities. The present portfolio currently consists of 12 companies.
As a venture builder, Cube Labs operates the entire product development lifecycle up to go-to-market, for an undefined period depending on market opportunities and the maturity and advancement of the technology under development.

Drivers

Industry drivers

An appealing industry backed by government initiatives. In 2021 worldwide investments in biotech grew by 39.6% YoY and +148% on 2019 (source: Airswift, *What are the biotech industry trends right now?*, 2022). Moreover, average European investment increased 1.2x in both 2015-17 and 2018-20 (source: McKinsey & Company, *Biotech hot spots in a fragmented European landscape*, 2021). These growing figures corroborate the idea of a long lasting trend, backed by substantial government incentives: in the USA, life sciences R&D investment reached $245bn in 2020, with the Federal government accounting for 25% of this ($61.5bn) through National Institutes of Health (source: Research America, *US Investments in Medical and Health Research and Development*, 2022), while in 2020 EU launched EU4Health Programme to address the resilience of European healthcare systems, aiming to improve medical devices and services.

Focus on domestic and innovative companies. Sovereign Wealth Funds (SWF) and other principal investors are switching their focus on create value in their home countries. The Global SWF Times reported an “explosion in start-ups” in the first three quarters of 2021, with state-owned investors injecting $14.9bn in more than 250 deals (+50% YoY). The International Forum of SWF has estimated that SWFs invested about $12.7bn in domestic companies and projects in 2020 (more than 3x YoY). Most countries are looking to fit Venture Builder into their innovation ecosystem, and it’s expected that in 3–7 years they will become ordinariness (Source: Boston Consulting Group, *The Venture Builder Strategy for Principal Investors*, 2022).

Venture builders’ approach. A Venture Builder can create projects for different customer requests and needs, for both corporate and individual clients. This is an appealing model for active investors, looking forward to control projects. Also, collaboration among VB is increasing, thus building networks that generate a prolific environment for start-ups to exchange expertise, skills, knowledge, at the same time becoming more attractive for specialists and financing.

Sounding track records. A VB is totally focused on value, thus accelerating creation process and creating value faster: according to venture building studio Grai, VB-backed companies have 3x faster path to seed, 2x faster path and 30% higher chance to reach series A's phase (source: Grai, *What any investor needs to know about venture building studios*, 2021).

Company drivers

Venture builder approach. Cube Labs' investment strategy ensures a high degree of control on the project from the early stages, with a gradual opening of subsidiaries capital to investors, while preserving guidance on industrial and commercial development.

Network. Strategic partnership with INBB, with access to technologies, facilities, expertise and associated universities, direct relationships with leading research institute, and the input provided by the Company's Strategic Advisory Board, composed of members with international experience in life-sciences companies and academic institutions, support Cube Labs preferential access to target research projects.

Management skills. Cube Labs' management consists of entrepreneurs and professionals with experience in healthcare & life science who actively contribute to projects development based on the number of patents and licenses obtained.

Challenges

Huge investments and barriers to success. R&D costs and timing are biotech companies' major challenges. Those are hardly predictable and can significantly differ from plans. Also, revenues are not guaranteed and anyway postponed at the end of the development process, or during progress at advanced phases. A common mitigating factor is sharing financial risk through partnership with other industry players which may help support R&D programs.

Improving commercial and development execution. According to McKinsey, biotechs have to improve pace and quality of their clinical development, which is critical in meeting investors' expectations and securing funding: as innovation goes on, so does competition for clinical-trial sites and investigator capacity (source: McKinsey & Company, *What's ahead for biotech: Another wave or low tide?*, 2021).

Lack of talents. Biotechnologies are unpredictable and thus it isn't easy to predict what skills will be in-demand by the industry: this is one of the reasons why partnerships are made between universities and health care/life sciences companies. Many companies struggle to attract and retain executives with experience. Moreover, many biotech clusters are experiencing fierce local competition: there are more job postings than candidates prepared to fill them, so talents are shifting between companies in the same hub, making retention a challenge.

Scarcity of financial resources. Biotech sector experienced a period of record-low interest rates, a bull run in equity markets and freewheeling investors. The most recent macroeconomic projections are not so bright: the current economic slowdown effects are expected far more severe than the past ones, many biotech startups are now facing harder pricing terms, warrant deals coming back and low valuations. Given that financial debt is hardly practicable for early-stage companies that cannot easily generate revenue while conducting expensive clinical trials, it looks like raising cash is going to be harder in the next future.

Hard times on capital markets. According to Financial Times, investors are more interested in promising drug pipelines rather than cash strapped start-ups, unsatisfied by many biotechs listed before reaching key development milestones. So far in 2022, many biotechs globally are trading below their cash reserves value and more than half of listed companies that completed follow-on fundraising had to offer investors incentives to back their deals (source: Financial Times, *Biotechs face 'funding Sahara' as cash dries up*, 2022).

2. PROFILE

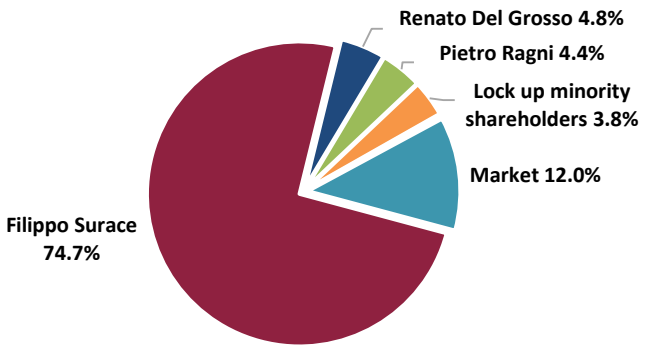
An Italian healthcare technology venture builder

Cube Labs is a venture builder established in Italy in 2013, dedicated to medtech, biotech and nutraceuticals, sourcing new projects through research institutes and universities in Italy. The current portfolio consists of 12 start-ups, typically holding a 51% share, with G-Gravity, a physical and digital hub. Cube Labs has a staff of 23 people, of which 2 employees.
Cube Labs strategy is to access innovative high potential technologies from its partners and to set a new company to develop the business idea, investing initially €150k in pre-seed, €0.5m in seed companies and up to €3m in Series A financing round.

History	
2013	• Establishment of Cube Labs
2014-2016	• Agreements with selected start-ups in the Chinese market • Entry into Spanish and Polish markets with two branches
2017	• Partnership with the National Institute of Biostructures and Biosystems (INBB) • Incorporation of 5 companies
2018	• Incorporation of 5 companies
2019	• Entrance among shareholders of Cube Lab Ambassadors, club deal of private investors • Incorporation of 1 company
2020	• 6 new partnerships • Financing by CDP Venture Capital SGR to certain Cube Labs portfolio companies (convertible debt) • Incorporation of 1 company
2021	• Non-binding framework agreement with CDP Venture Capital SGR for co-investment of up to €7.2m in Cube Labs portfolio companies, subject to concurrent 30% co-investment by Cube Labs
2023	• Listed on Euronext Growth Milan - PRO (March), IPO proceeds €4.1m

Source: Company data

Shareholders



Source: Company data

Key people	
Name and role	**Background**
Filippo Surace **Founder and CEO**	• CEO of Gruppo Surace, active in rehabilitation care in Apulia • Adjunct Associate Professor of Biotechnology at Temple University
Renato Del Grosso **Co-founder and Chief Strategy Officer**	• Experience in pharma/med device industry (MSD, Abbott, Abbvie, Intercept) • 8 blockbuster drugs launched in Italy
Massimo Fiocchi **Co-founder and Chief Financial Officer**	• Founder of Berardi Fiocchi Tirrito e Associati CPA and Tax Advisory firm
Chris Hentschel **Chief Scientific Officer**	• Molecular biologist and co-founder of The Ulysses Advisory Group • Experience in MRC Technology Transfer UK, in private sector and in public-private partnership • Partner and Chief Scientist at Bio Instanbul
Neil Thomas **Chief Business Officer**	• Partner in Ventac Partners with executive roles in portfolio companies • Previously Director of Business development & IP at Genetrix and Roche spinout bioXell • Adjunct professor of IP in the Life Sciences Industry at IE Business school and visiting lecturer at University of Cambridge
Isil Guney **Science and External Affairs**	• Co-founder and Partner at Ulysses Advisory Group • Former Director R&D at Bio Istanbul • Research Associate in Medical Oncology at Dana-Farber Cancer Institute, Harvard Medical School, and the Broad Institute of Harvard and MIT

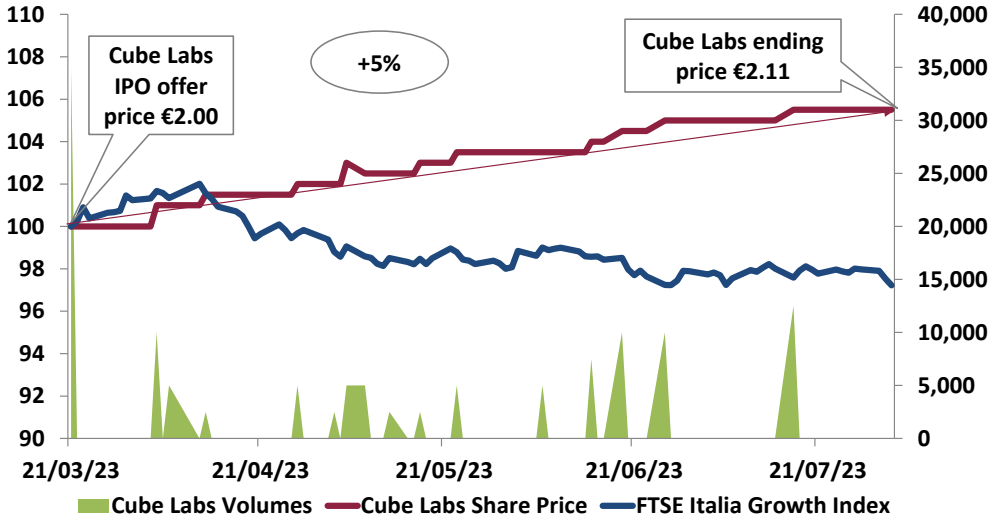
Source: Company data

IPO and stock market performance on Euronext Growth Milan - PRO

Cube Labs on Euronext Growth Milan - PRO	
Stock market	Euronext Growth Milan - PRO
Bloomberg code	CUBE IM
Reuters code	CUBE.MI
IPO date	21/03/2023
Offer Price (€)	2.00
Money raised (€m)	4.1
Market Cap at IPO (€m)	34.1
Free float at IPO	12.0%
Ordinary shares - ISIN number	IT0005532483
Shares outstanding	17,052,500
Current Share Price (€)	2.11
Current Market Cap (€m)	36.0
Warrant - ISIN number	IT0005532608
Warrants outstanding	2,052,500
Current Warrant Price (€)	0.25

Source: Company data and S&P Capital IQ, update: 02/08/2023

Share price performance and volumes since IPO



Source: S&P Capital IQ - Note: 21/03/2023 (IPO offer price)=100

3. INDUSTRY INSIGHTS

A new paradigm for sciences: biotechnology

Biotechnology is a branch of science that creates and develops products using biological systems, living creatures, or elements out of them. Biotechnology includes a wide range of fields such as biochemistry, genetics, and molecular biology; new technologies are developed every year in various fields such as medicine, agriculture and manufacturing.
A biotechnology company is a research science-driven firm that aims to develop useful applications based on a breakthrough discovery. Frequent main characteristics of these companies are absence of profitability (many have no revenue at all) and long development lead times, with an overwhelming likelihood of failure.

Biotech and pharma

Biopharma, the clinical development of drugs produced from living organisms aimed to treat diseases and medical conditions, is just one aspect of the biotech industry. Biotechnology companies are taking the lead in new drug development since pharmaceutical companies are pulling back from expensive basic research, looking in biotech world for innovation. Many biotech companies make no pretense of marketing their own drugs, focusing only on R&D. It takes more than 10 years for a new treatment to complete the journey from initial discovery to the marketplace, passing through different test phases. Tests could be:

- In Vivo: research using mice, rat, and dog models
- In Vitro: research conducted in a laboratory
- Ex Vivo: research conducted using cells or tissues from a non-living animal
- In Silico: test systems or biological experiments performed on a computer or via computer simulation (these are expected to become increasingly popular with the ongoing improvements in computational power).

Biotech technology development

The biotechnology key value chain steps can be represented as in the following chart.

Biotech development stages

Source: Company data

Discovery and development

Market research is assumed to have been done before undertaking the preliminary research and is fleshed out in other stages of product development.
Initially, researchers try to identify interesting molecular pathways that could potentially influence a disease course and possibly design drug candidates. This step can take from 3 to 6 years. Drug targets must be efficacious, safe, usable, and capable of meeting clinical and commercial requirements. Being a preliminary work, it's done in the most cost-

effective way, usually first using in vitro model and then animal models, in a R&D environment with very small amounts being tested.
If the original technology idea came from an academic laboratory, product development may also depend on patents status and correlated licenses: if a company does not have freedom to operate using the technology, they have to invest resources into developing their own technology to be taken to market. This stage can be extremely expensive, with high failures rates.

Preclinical research

Once a lead compound is found, R&D team generates data to show the existence of a relevant pathway in the treatment of a particular disease. They evaluate a pool of few drug candidates, which will be narrowed down to a single lead drug during a process called lead optimization. Drug development goes on with in vivo research to determine lead drug efficacy and safety. Researchers aim to determine the following about the drug:

- Absorption, distribution, metabolization, and excretion information
- Potential benefits and action mechanisms
- Best dosage and administration route
- Side effects/adverse events
- Pharmacodynamics
- Interaction with other treatments
- Effectiveness compared to similar drugs

Proof of concept

Preclinical trials test the new drug on non-human subjects for efficacy, toxicity, and pharmacokinetic (PK, experimental trials to determines how a drug behaves in human body) information. These trials are conducted by scientists in vitro and in vivo with unrestricted dosages. Proof of concept are studies that are successful in preclinical trials and early safety testing, leading to program advancement. Formulation optimization is ongoing throughout pre-clinical and clinical stages, to ensure proper place, right time and right concentration delivery.

Clinical development

Once preclinical research is complete, researchers aim to finetune the drug for human use. Trials must be safe, efficacious and under budget, using a methodology that ensure that the drug works for its intended purpose.

- **Phase I**
  First time the drug is tested on humans to determine if is safe for them: a small as possible number of participants (less than 100 volunteers) will help researchers to assess safety and pharmacokinetics, as well as side effects for safe dosage ranges.
- **Phase II**
  Next step assesses drug's efficacy with sufficient participants (additional 100-500 patients) to determine optimum dose and regimen; these trials need to be run in at least two parallel arms, treating patients with a placebo or drug previously used, to investigate the side effects. Pivot trials that are essential to approval also need to randomize and "double-blind" patients and investigators to prevent bias. This phase typically lasts several months to 2 years.
- **Phase III**
  Final stage is designed to determine if the treatment is truly effective and is expanded to include enough people (1,000-5,000 patients) to increase capture of potential side effects, enabling medication labeling and instructions for proper drug use.

Regulatory approval

Clinical trials are very expensive, usually conducted in hospitals under strict regulatory oversight; it could be challenging to find the right patients and duration could be longer. Once the best efficacy and safety drug's formulation has been identified with available clinical trials to prove it, results are submitted for authority review. New drug applications may fail for various reasons such as toxicity, low efficacy, inadequate PK properties and drug performance.

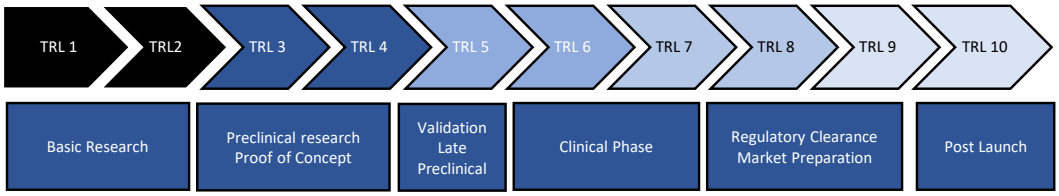
Post-market safety monitoring

Following drug approval and manufacturing, the authority requires drug companies to monitor the safety of its drug.

Medical devices

Medical device product development brings together biology, engineering, marketing, and quality systems; according to FDA, the US Food and Drug Authority, medical devices are "finished products intended for human use." Generally, development phases of medical device products are quite like biopharma products development but there are some differences in initial phases due to the product nature.

MedTech development stages



Source: Company data

Device discovery and concept

After coming up with an initial idea, discovery involves market research, competitive analysis, and financial review, which informs the concept for the device. To produce a successful product, a company must first understand if the product is needed in the market, often interviewing potential customers and analyze eventually other solutions already available to determine if the product is competitive. The competitiveness of a solution does not always come down to its efficacy, but product cost, ease of use, and how much customers like current solutions also matter. Then, a financial analysis is needed to determine if the cost for product creation is worth it. Information gathered from customer interviews will be used throughout the design process.

In concept phase, companies realize if the product as requested by the market is feasible from an engineering standpoint. Proof of concept is achieved via experimentation: even if the exact use conditions for a medical device can't be recreated in the lab, experiments are designed to predict if a concept is likely to be successful in the target use case, approximating some of the known factors.

Preclinical research-prototype

After proof of concept, validation and verification tests start to ensure that the proposed medical device is safe and effective. This testing occurs in a laboratory using a prototype, an initial design for the proposed device to be tested in the lab to see if it works the way it should. At the same time, the prototype is also tested for efficacy in an approximation of the use case that could involve in vivo testing using animal models.

Monetization

Life science companies can monetize their R&D not only through sales from approved product, but even through royalties generated from out-licensing arrangements.

Royalties

In its simplest form, the intellectual property owner grants a license to a third party to use its IP and the licensee pays to the IP owner an ongoing royalty, typically a percentage of net sales of products commercialized using the licensed IP. Transactions are now also carried out for products in development, for which the royalty reflects the value of R&D provided by the originator. Royalties value depends on:

- prospective commercial success
- scope, strength, validity and duration of patents and IP
- regulatory exclusivities, pathways and risk profiles
- size of the addressable patient market, including potential label expansions
- pricing and reimbursement by payors

Licensor may also receive payments upon milestone events after the agreement: e.g., for a drug candidate it could happen for Phase I, Phase II or Phase III clinical trial.

Through royalties' monetization licensor receives an up-front lump-sum payment, immediately realizing the discounted value of the royalty stream: it's a fresh capital source that biotech company could use to accelerate growth, avoiding significant dilution with equity raises and restrictive covenants with debt issuances.

These transactions are increasing, due to a growing market of specialized investors. In the past decade, royalty transactions have moved beyond the plain vanilla agreement to increasingly sophisticated transactions with virtually countless variations, and no two deals are alike: being both highly flexible and non-dilutive, they're an attractive alternative to raising financing on capital markets.

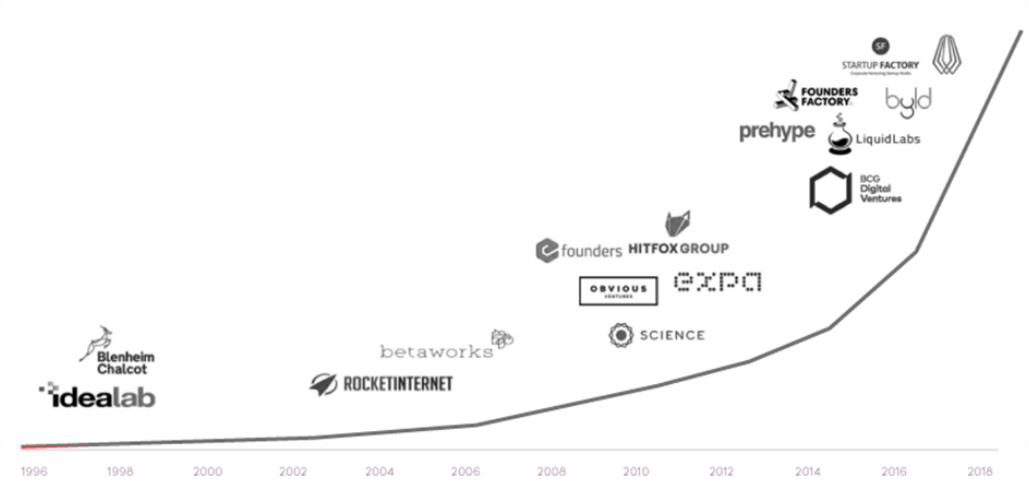
Some transactions are structured to not involve royalties at all: in a synthetic royalty the IP seller markets the product itself (there is no license agreement and hence no royalty) and sells a revenue interest structured as a percentage of the company products' net sales. Some royalty-based transactions take the secured debt form, where interests and principle under the loan agreement are secured by the royalties generated by the product or by the IP and material assets needed to commercialize the product; draw and repayment terms are linked to major milestone events in the life of the underlying product(s). Other royalty agreements include an equity component to provide investors an additional potential upside if the company performs well.

Venture Builders: a different route for innovation

A Venture Builder is an organization that builds, launches and scales potential high growth innovative companies taking full responsibility, from the idea to profit, helping them to grow. First example is Idealab, created in Silicon Valley in 1996, which had launched more than 100 companies of which 5% became unicorns (CarsDirect, NetZero and Ticktets.com). Some well-known VBs are Rocket Internet (Zalando), BCG Digital Ventures (Twill, now a Maersk company), VB Obvious Corp (originally funded Twitter and Medium) and HVF (Affirm, Yelp, and Glow).

Venture builders: a brief history

Original concept	Wave 1	Wave 2	Wave 3
1996 – 2005	2006 – '09	2009 – '14	2014 – Present
Idealab set up by Bill Gross, offering easier launch, cost savings on hardware setup etc.	Systematic process for launching startups. Idea and process valued above founder team.	Multiple studios founded by successful ex-founders as a preferred VC alternative.	Corporate venture studios gained acceptance as a successful model.



Source: Startup Studio Playbook and data on publicly available data for 51 studios and 212 of their portfolio companies

Venture builders constantly test new concepts, working both on their own ideas or with external founders at earliest stages. Usually, there is a central team with expertise and resources to manage multiple projects simultaneously. VB work on a small number of projects (3–5 per year) with dedicated teams and resources, providing tools, connections, and knowledge. Internal team's expertise and cross-funding from partners significantly reduce costs of testing and product development. A typical VB might have 10 or more companies in any business life phase. Investments start from $50k and a 10-year exit target, either by sale or going public, and their support can last for several years or never end, depending on circumstances.

Drivers for VB success:

- Accuracy in targeting markets with high potential from VB founders
- Economy of scale: services within VB are provided to all portfolio start-ups in a centralized way, improving quality and reducing founders' commitments
- Improved interaction with both labour market (by hiring talents for its companies) and investment market (by helping to attract investments)

How a Venture Builder works

Venture Builders are mainly engaged in 5 core activities:

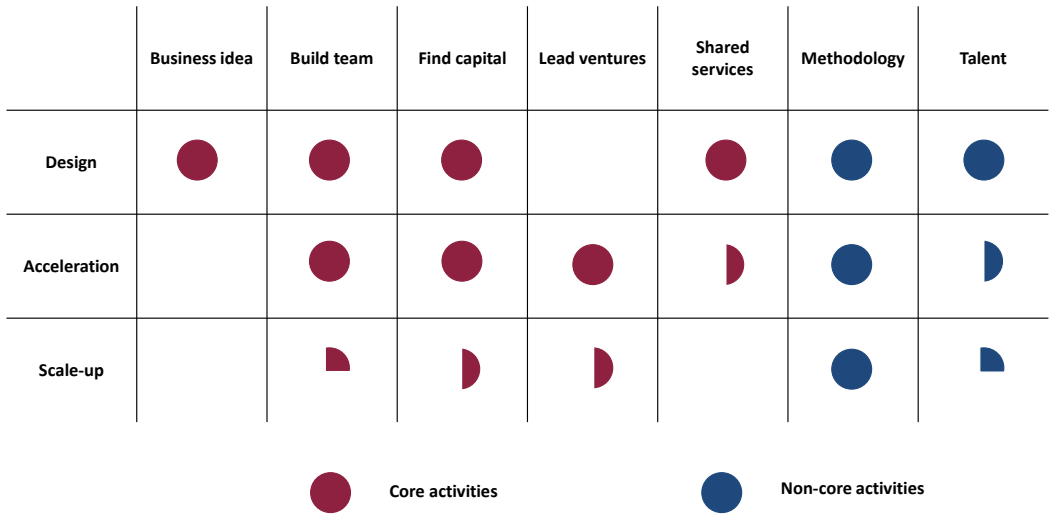
1. **Identification of business idea.** The first step is the analysis of scientific research results to identify and protect the intellectual property of those with high potential, by establishing a start-up.
2. **Building teams.** Once the business idea is identified, VB create teams from the ground up, with each element functional for more activities, starting from researchers to deal with technology development. VB train the team from

managerial point of view to make it capable of gradually taking care of the company autonomously.

3. **Find the capital.** VB facilitate capital access for the start-ups they develop, funding them on their own or connecting them with their investors' network.
4. **Helping in managing.** Venture builder is a cofounder and thus could have a governance role, participate in company management, or join meetings where start-ups leaders assume key decisions.
5. **Shared services.** Venture builder could offer additional services such as marketing, communication, operations, legal, design, human resources, and financial management. Relying on qualified and experienced support, research team can focus on technology development, validation, refinement and testing. All services are centralized, so start-ups can shorten staff and reduce costs.

VB could also rely on methodologies and learning processes, building systems to share knowledge across their ventures in different stages so they could all benefit from others' experience: core idea is that expertise in the organization could significantly increase the chances of success. VB can also provide talents to the companies, with venture builder's operating staff switching between backed companies to start operations or when hard problems arise, in which case the VB could send senior talent.

Venture builder's activity



Source: Jorge García-Luengo, *Venture Building, a new model for entrepreneurship and innovation*, 2017; hiips://www.linkedin.com/pulse/venture -building-new-model-entrepreneurship-jorge-garc%C3%ADa-luengo/

VB vs accelerators, incubators or venture capital funds

Venture Builders should not be confused with accelerators, incubators or venture capital funds:

- An accelerator tends to get involved in almost-finished products, helping them to grow over a short period of time to get a big investment, and to spread small amounts of capital across a wide array of startups, expecting the most of them to fail. VB focus more resources on a set of opportunities and, unlike accelerators, don't typically accept applications for new portfolio companies.

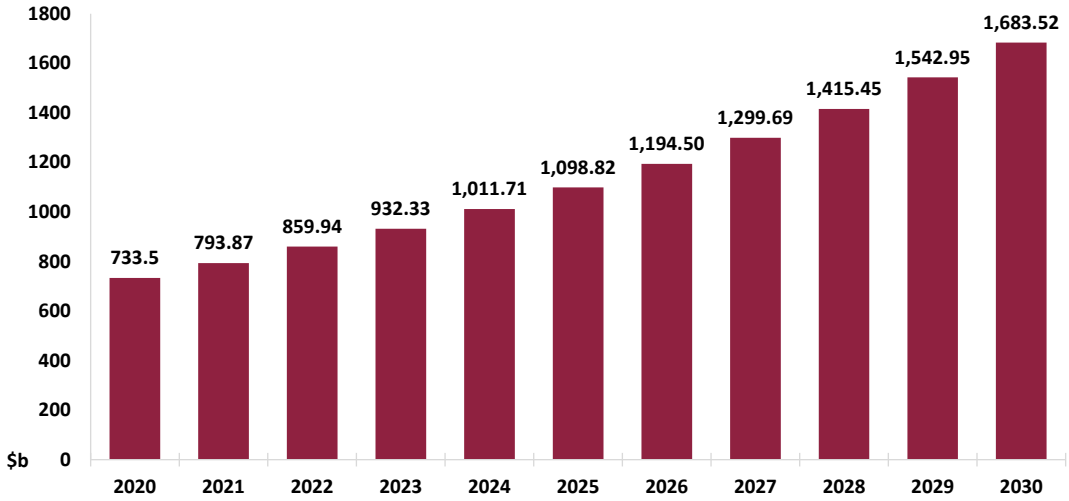
- An incubator is involved in the venture's business for a limited time (typically a 12-week program with an initial investment around €15-125k) to help startups in pre-seed/seed state building solid foundations, providing training and guidance to validate the business, while the VB develops a longer relationship with it (on average exit happens after 3 years), providing founders full support throughout companies' lifetime and developing ideas in-house.
- Venture Capital funds are usually looking for ready-made projects with sales and potential, have defined criteria for financing and usually are not involved in the business process, unlike venture builder who is a combination of a build function with a source of capital.

4. MARKET TRENDS AND OUTLOOK

An uninterrupted trend

After an unexpected resilience in 2020, according to market research firm Precedence Research, the global biotech market in 2021 was worth $794bn, and expected to reach $1,684bn by 2030, with an 8.7% CAGR 2022-30, driven by favorable government initiatives in developing countries, such as India and China. These initiatives are oriented towards modernizing drugs regulatory pathway, standardizing clinical studies, improving reimbursement policies and speeding up product approval process. According to J.P. Morgan, 2021 was a banner year for dealmaking in the life sciences sector. Biopharma therapeutics and discovery platform companies led the way in licensing and venture capital attraction, while MedTech activity remained well above its pre-pandemic levels.

Biotech market size from 2020 to 2030E ($bn)



Source: Precedence Research, *Biotechnology market size, 2020 to 2030*, 2021

North America dominated 2021 global biotech market with 45% revenue share, due to several factors such as strong competition, R&D initiatives, and high healthcare expenses.

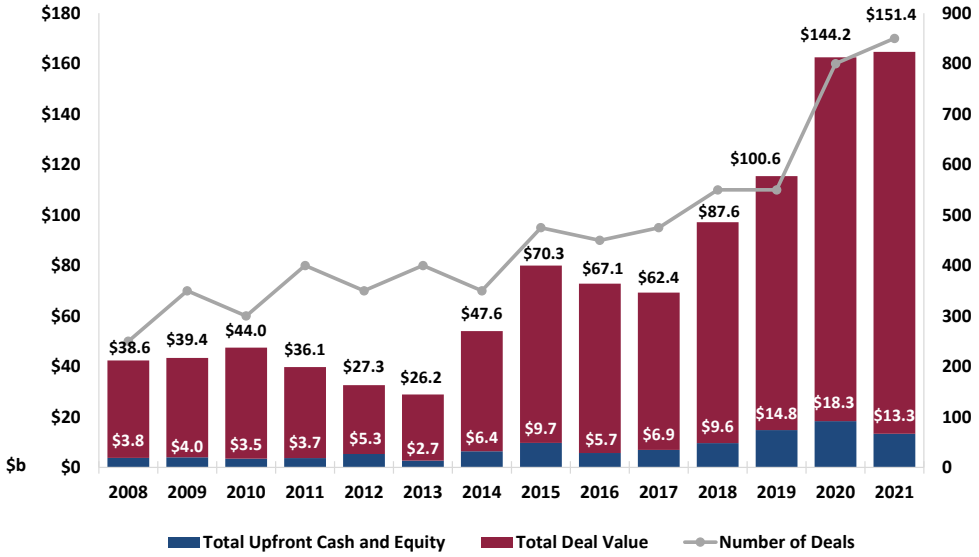
Based on application, according to Precedence Research, bio-pharmacy will dominate biotech market in 2022-30, due to increasing prevalence of diseases and rising demand for medicines and drugs. On the other hand, bioinformatics is expected to grow at the fastest pace, 21.5% in the forecast period, driven by rising demand for nucleic acid and protein sequencing and new private and government organizations initiatives.

Based on technology, Precedence Research expects that nano-biotech, the segment with the highest market share in 2021, will record a 17% 2022-30 CAGR, driven by the growing demand for essential diseases treatments. On the other hand, the polymerase chain reaction technology segment is expected to be the fastest growing segment in the biotech market, due to the increased interest in customized medicine, as well as drug's applications development.

Biopharma and MedTech

Biopharma dealmaking activity was slightly down in 2021, back to longstanding disease areas after a deep focus on deals specific to COVID-19 in 2020. Transactions in 2021 were 1,918 including venture rounds, IPOs, deals and M&A.

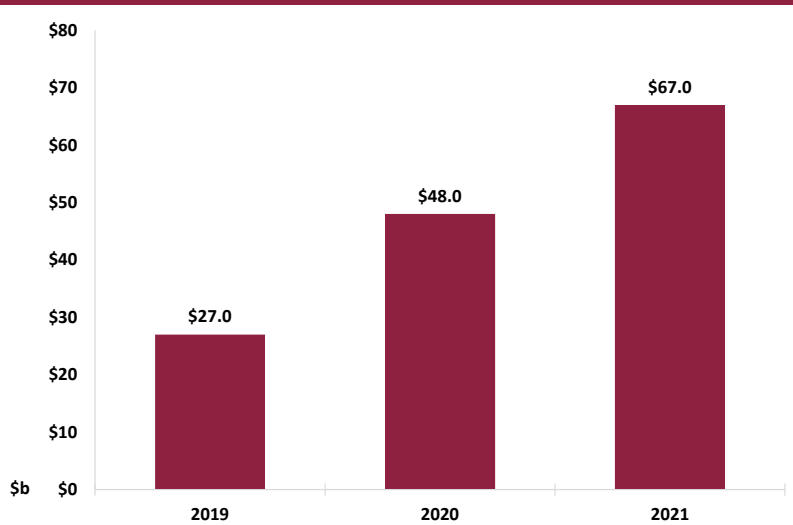
Biopharma R&D partnerships value ($bn) and number of deals



Source: JP Morgan, *Biopharma and Medtech Deals and Funding*, 2022

According to JP Morgan, licensing activity for therapeutics and platforms in 2021 finished lower than last year, with 749 biopharma therapeutics and platform R&D partnerships, down from 807 in the prior year, in part due to 380 deals specific to COVID-19. Deal counts and total upfront payments were lower, $13.3bn, -27% YoY, while deals with larger milestones and contingencies were higher.

Capital invested by year ($bn)

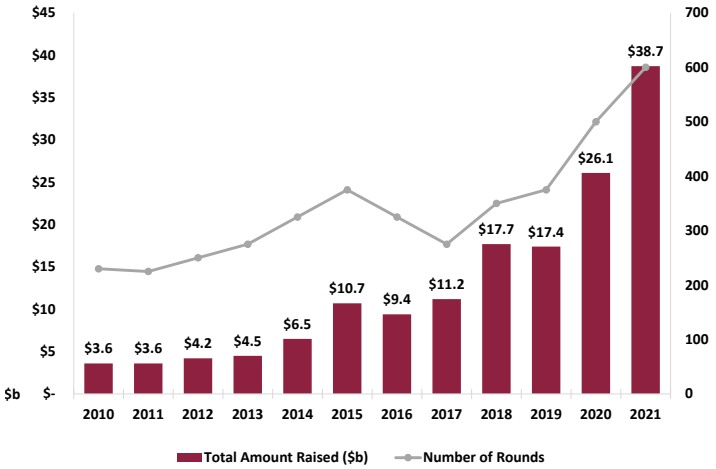


Source: Airswift, *What are the biotech industry trends right now?*, 2022

Biotech fundraising has skyrocketed in the past 3 years, achieving its momentum in 2021 with a +39.6% YoY according to Pitchbook. Even if the sector is closely linked to R&D, thus historically

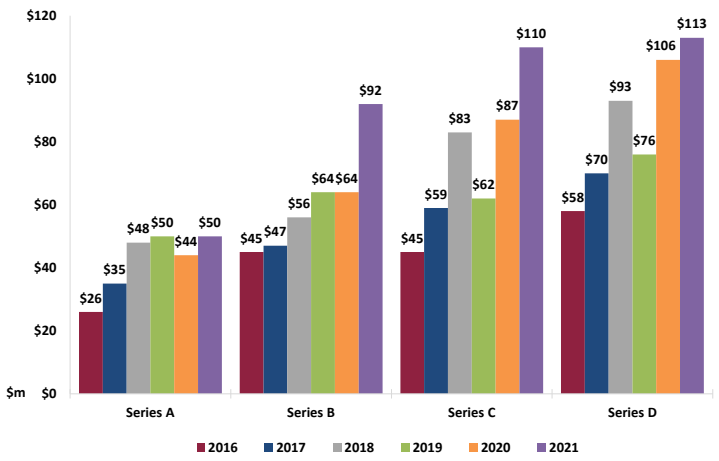
incomes are not recorded in the short-term, biotech is an excellent opportunity for investors who can wait for long-term performance: solo investors and venture capitals are allocating their resources in this field (investments increased by 148% in 2019-21), and this trend is expected to continue with more larger investments.

Biopharma: value ($bn) and number of rounds



Source: JP Morgan, *Biopharma and Medtech Deals and Funding, 2022*

Biopharma: average venture round by series

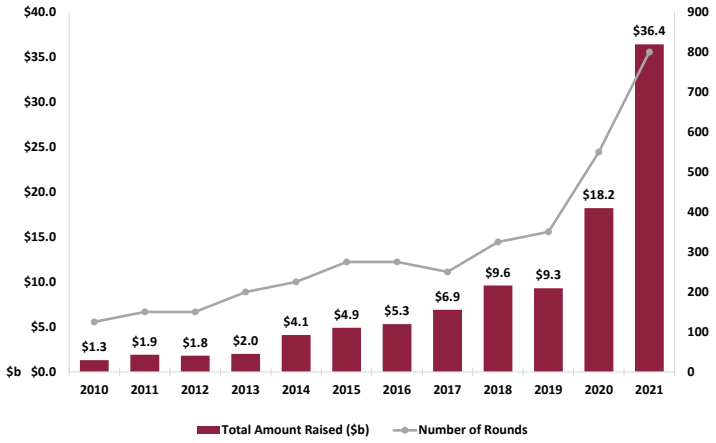


Source: JP Morgan, *Biopharma and Medtech Deals and Funding, 2022*

According to JP Morgan, in 2021 venture investment in biopharma continued to set records for rounds number and total dollars raised: 595 rounds of funding for discovery and clinical stage companies were completed, with $38.7bn raised in private funding rounds into biopharma therapeutics and platform companies.

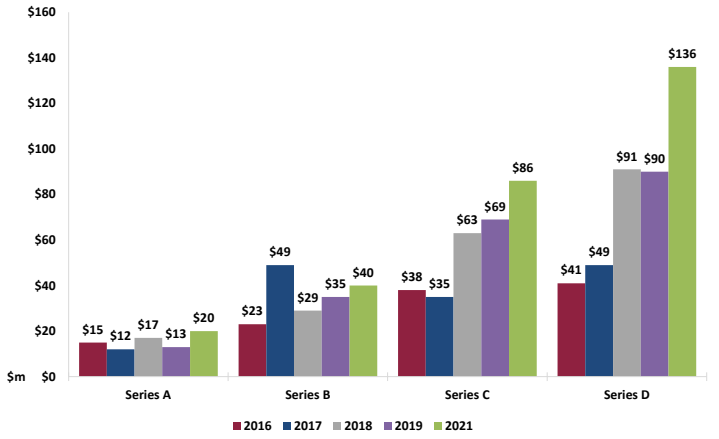
With the abundant venture capital flow started in 2017, biopharma firms are now back for second and third financing rounds as Series B and C averages topped prior years: Series B saw a 44% increase, up to $92m average in year-to-date growth, while Series C average increased 26% to $110 m. Series A rounds averaged $50m. Phase I and earlier-staged biopharma companies continued to see larger venture round: platform and discovery-stage biopharma companies are seeing average round of $68m, $59m for preclinical and $80m for Phase I.

MedTech: value ($bn) and number of rounds



Source: JP Morgan, *Biopharma and Medtech Deals and Funding, 2022*

MedTech: average venture round by series



Source: JP Morgan, *Biopharma and Medtech Deals and Funding, 2022*

MedTech

Venture fundraising has dominated the deal space in MedTech since 2020 partially due to COVID-19 related diagnostics and digital tech. According to JP Morgan, in 2021 MedTech venture funding followed the same path as biopharma, setting records for rounds number (809) across device, diagnostics, digital therapeutics and research tool developers, and amount invested in diagnostics, digital health and computational tools ($36.4bn, following $18.2bn in 2020), with 318 R&D partnerships, too. Averages funding for all venture rounds grew in 2021, with the largest increase in Series D rounds ($136m).

Life sciences market in Italy

According to The European House – Ambrosetti, in 2021 there were over 5600 Life science companies in Italy (+4.4% YoY), recording over €50m revenues. Life science firms are attractive for investors: it was the second high-tech sector in terms of Venture Capital and Private Equity investments, with 56 deals (30% of total deals), double of 2017.

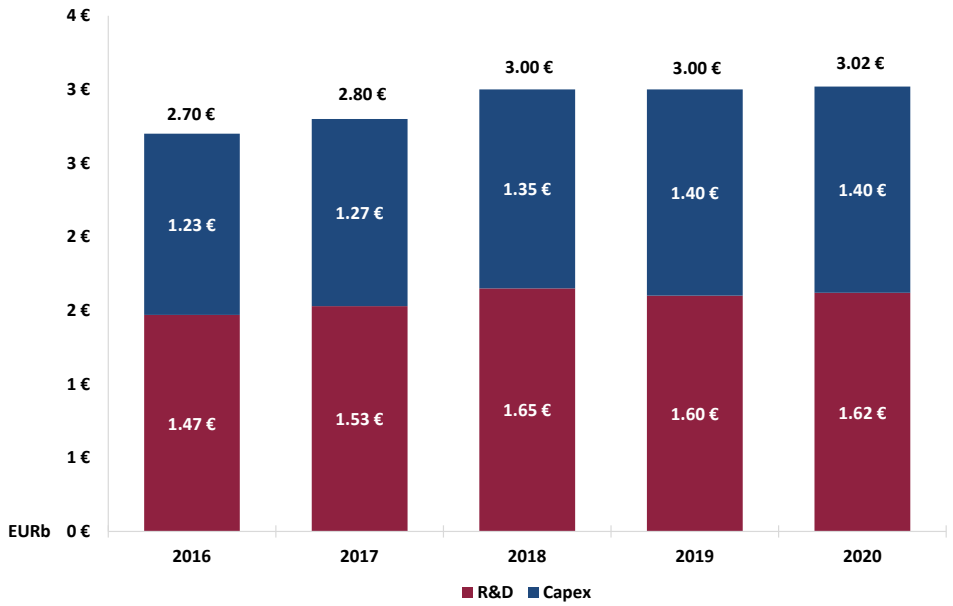
	Pharma	Biotech	MedTech
Companies	285	790	4546
Value (€bn)	34.4	10.2	6.0
R&D investment (€bn)	1.7	1.8	0.7

Source: The European House – Ambrosetti, *Il ruolo dell'Ecosistema dell'Innovazione nelle Scienze della Vita per la crescita e la competitività dell'Italia,* 2022

Pharma

In 2021 the pharma sector recorded €34.4bn revenues, +0.3% YoY, 2.5% 2017-21 CAGR. SME were only 24% of Italian pharma companies. R&D investment made by pharma companies were €1.7bn in 2021, 80% of which in Open Innovation and partnerships with universities and research centers.

Pharma R&D investments in Italy



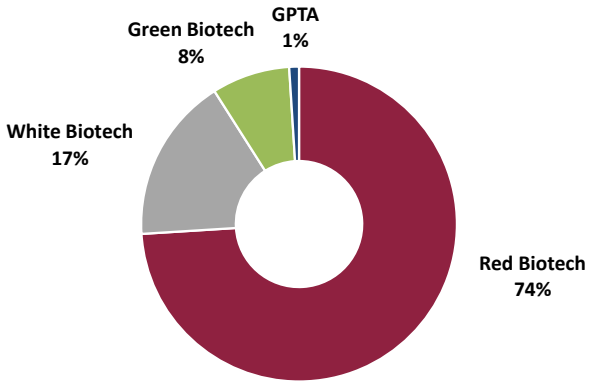
Source: The European House – Ambrosetti, *Un aggiornamento sull'ecosistema italiano della ricerca e dell'innovazione nelle Scienze della Vita,* 2020-2021

Biotech

The number of biotech companies reached 790 units in 2021 from 777 in 2020, higher than pre pandemic level (783 in 2019); 65.9% of biotech companies were microenterprises. It's possible to classify biotech companies into 4 subsectors:

- Red biotech (human health, diagnostic systems and innovative therapies)
- White biotech (industry)
- Green biotech (agriculture and animal husbandry)
- GPTA (bioinformatics and big data)

Biotech companies' distribution by application in Italy



Source: The European House – Ambrosetti, *Il ruolo dell'Ecosistema dell'Innovazione nelle Scienze della Vita per la crescita e la competitività dell'Italia,* 2022

74% of biotech sales were generated by Red biotech (€7.6bn), followed by White (€1.7bn, 17%) and Green biotech (€0.8bn, 8%). 17.7% of revenue were invested in R&D (€1.8bn).

MedTech

In 2020, the Italian MedTech companies were 4546, generating €10.8bn of revenues, and 29% of this companies are biomedical, followed by biomedical device manufacturers (13%). Public Italian expenses accounted for €8.4m, 78% of the domestic market.

Outlook

Biotechnology market is expected to be driven by various trends:

- Agricultural input firms are focused on upgrade existing technologies, concentrating their efforts on bringing innovations to market to boost production in the long-term
- Miniaturized portable instruments are in continuous development, with new perspective grant by robotics incorporation
- The rising incidences of target diseases and frequency of infectious and chronic diseases, together with the demonstrated usefulness of Cell Based Assay and Polymerase Chain Reaction analysis in diagnosis of disease-causing bacteria, could drive up clinical diagnostic tests use
- The use of genomic analytic techniques, such as microbial identification and detection of genetic changes in the diagnosis of major infectious diseases (HIV, malaria, TB and genetic abnormalities), has developed rapidly over the last decade and could boost the biotechnology market

- Emerging countries will see a rise in healthcare spending, with the expansion of healthcare infrastructure, and lower procedural costs of disease diagnosis techniques. Thus, diagnostic laboratories' demand for clinical diagnostic procedures could increase, leading to higher sales and revenue growth for biotech companies.
- Large amounts of data generated by biotech techniques such as nucleic acid and protein acid sequencing require data interpretation and management for medical and future research objectives

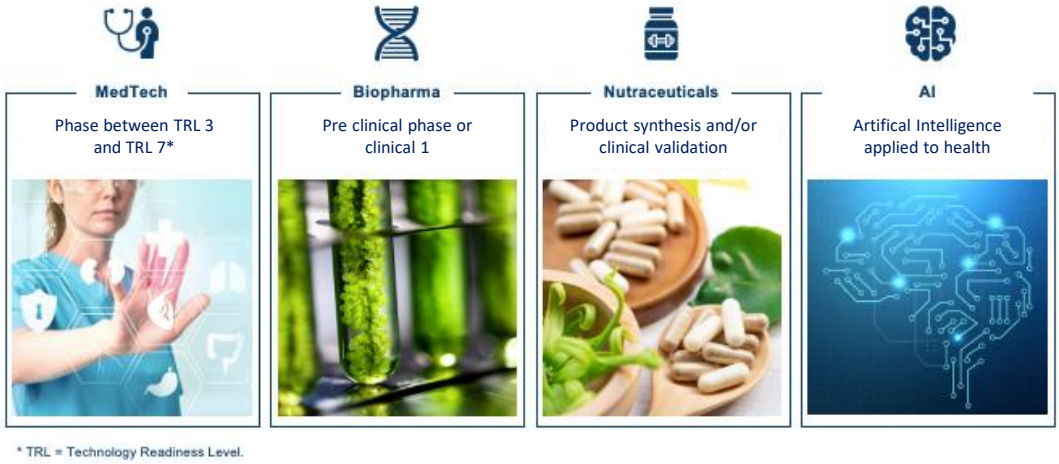
5. BUSINESS MODEL AND STRATEGY

The Venture Builder approach

Cube Labs invests in academic research projects that have passed proof of concept and assists the selected projects in several aspects:

- Financial, ensuring immediate and continuous access to sources of financing for the development of technological and business innovations
- Strategic, providing entrepreneurial and managerial support
- Operational, taking an active part in the management of the portfolio companies and providing services of various kinds

Investment areas



Source: Company data

Cube Labs investment strategy aims to invest and co-invest in pre-seed and seed rounds a maximum of €500k in control stakes (up to 65%) in the newly formed startups to develop the technology, incentivizing scientists and employees by offering co-investments from 5% to 40%. Operating as a venture builder, Cube Labs follows the subsidiaries from establishment to go-to-market and ramp-up phases, creating a portfolio of companies. According to consulting firm McKinsey, the portfolio approach is more attractive for long-term investors than take an equity stake in single biotech startups (source: McKinsey & Company, *A new portfolio model for biotech*, 2021).

Business stages

Source: Company data

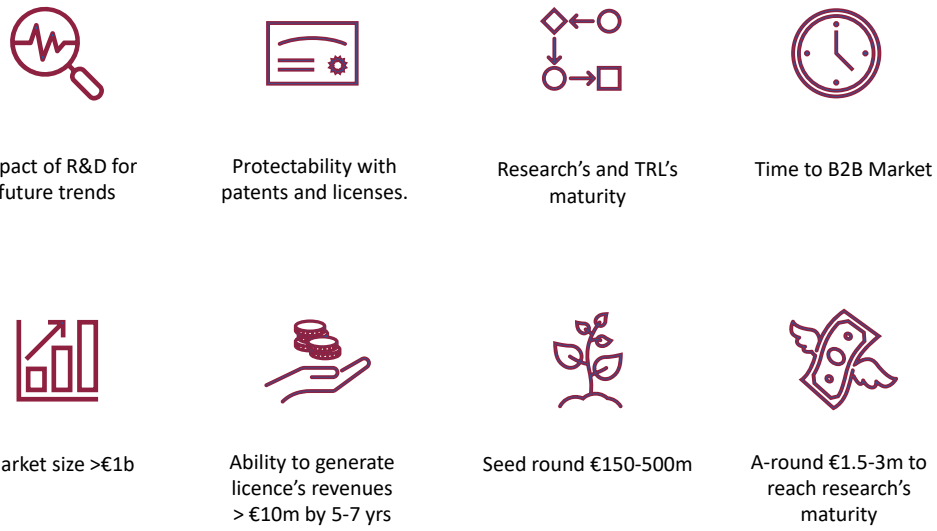
Scouting, screening and valuation

The first stage consists of scouting, screening and evaluation of the proposals received, usually academic projects with at least 7 years of R&D behind them and high development potential. Both for scouting and in the later stages Cube Labs can rely on:

- INBB, an inter-university consortium in Life Sciences of Italian public universities and researchers, including CNR, Italy's leading public research organization, with numerous international relationships, overseen by the Ministry of University and Scientific and Technological Research
- 10 strategic partnerships with researchers, entrepreneurs, venture builders and other organizations interested in innovation, including nonprofits

INBB grants Cube Labs a right of first refusal for R&D projects and help in the commercial development of the selected technologies, through the common infrastructure implemented by the two partners, a scientific-technical headquarters where scientific projects are developed. As part of the partnership with INBB, its Scientific Board carries out an initial screening activity, valuating current scientific projects and proposing to Cube Labs the most interesting.
Cube Labs subsequently begins an assessment of the received data, including meetings with relevant scientists. The internal scientific assessment is carried out by a Technical&Strategic Committee, composed by field's experts, internal as well as external professionals and managers, to discuss the proposed projects and topics. The evaluation is both scientific and commercial, closely related to the kind of project, including financial, marketing, and operational analyses. This process usually takes 4 to 6 weeks, with 1 to 3 projects per month assessed on average. Once the analysis is completed, the Assessment Committee presents the results to the Builder Committee, composed by Cube Labs top management and, when required, external figures with specific expertise.

Screening parameters



Source: Company data

After the investment decision, Cube Labs proceeds with a legal assessment to understand operation's terms and conditions and intellectual property aspects, which can take 3 to 4 weeks. In case the technology is not protected, a patent is drafted and registered, property of the new build company, while, if it there is already a patent, its ownership will be transferred

to the new company, also as a license, and eventually the industrial property protection is further strengthened through new patents.

Building

Upon assessment completion, Cube Labs defines the development agreements and establishes a new company (innovative start-up), as a vehicle fully dedicated to the project. The ownership is made as follows:

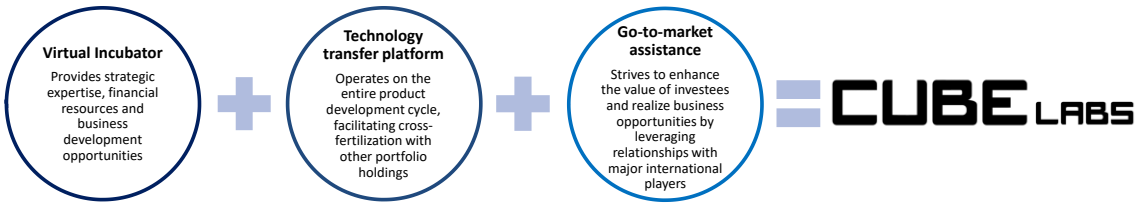
- an investor majority stake, typically 51%, held by Cube Labs and a minority stake held by founder Filippo Surace
- a scientific stake, held by promoting researchers
- an academic stake, through the 5% held by INBB

The minority stakes held by Surace will be transferred before the IPO in a trust whose sole beneficiary will be Cube Labs. The Trustee is Trust Company S.p.A., which shall act consistently with decisions taken by Cube Labs regarding its interests in the investees. R&D is implemented at the partner university; partners relationships and roles may be also regulated by shareholders' agreements.

Cube Labs invests, also jointly with other partners, in pre-seed/seed-round, maintaining the control stake. Corporate control from initial stages up to capital injection and market access is an essential element in the venture builder's model. The participation in share capital of the founder and the gradual opening to institutional investors is intended to facilitate both development and marketing phases of the scientific projects.

Building consists of the incubation phase of the project, in which Cube Labs supports the initial growth, providing its expertise and financial resources necessary for the start-up such as intellectual property protection, expansion of the R&D pipeline, team building, marketing, corporate finance, etc. Then, a clinical and R&D roadmap is drawn up to identify the target market for the technology. Cube Labs takes care itself of several activities, usually carried out by other players in the market.

Cube Labs services for start-ups



Source: Company data

Financing

During the first 18 months, each vehicle company is supplied with financial resources for start-up activities and supported with services for the industrial project development. At a later stage, Cube Labs will find additional resources from domestic and foreign investors to finance next development steps. Financing could be through both equity and debt resources, venture capitalists and others.

After investing in the seed round, Cube Labs can potentially co-invest €1-3m in the A-round, preferably together with institutional investors, while still maintaining control of the subsidiary.

Growth

In the incubation and growth phases, Cube Labs provides its know-how, strategic, financial and operational support to advance the project and prepare the market access, even through Cube Labs' strategic partnerships with industry experts.

Payback – asset valorization

Cube Labs estimates for its projects a development period of approximately 3 to 7 years, depending on market opportunities or the level of technology advancement. The Strategic Advisory Board meets approximately every 6 months to discuss the operational strategy for Cube Labs portfolio.
Possible exit strategies are:

- B2B market through out-license agreements, co-development, etc.
- M&A transactions with players in the pharmaceutical/medical sector or specialized funds
- IPO transactions

Revenue model

During the building, financing, and incubation phases, portfolio companies pay fees to Cube Labs for the provision of strategic, operational, and financial support services.

Fees and services

Name	Services	Fees
Service fee	Co-working spaces, international desks, consulting and tutoring	On a monthly basis with a step-up mechanism from the second year
Royalty fee	Agreements with external partners	Share on royalty
Fundraising fee	Fundraising on private capital markets	Share of funds allocated
Exit fee	Advisory during exit phase	To be defined

Source: Company data

6. COMPANIES PORTFOLIO

To date, Cube Labs holds equity shares in 12 companies.

Equity, financing and other contributions history (€m)

Company	Life stage	Cube Labs		Other		Total
		Initial Equity	Other	Equity	Debt	
Therapeutic						
Cartilago	Preclinical	0.005	0.124	0.165	0.025	0.319
Molecular Research	Preclinical	0.005	0.057	0.134	0.000	0.196
Orpha Biotech	Preclinical	0.005	0.077	0.181	0.000	0.263
Nutraceuticals						
Adamas	Validation	0.005	0.085	0.107	0.395	0.592
MedTech						
Bio Aurum	Validation	0.005	0.068	0.150	0.000	0.223
Biodiapers	Preclinical/PoC	0.005	0.230	0.159	0.425	0.818
CRV Medical	Clinical Phase	0.006	0.006	0.005	0.000	0.016
Dtech	Validation + Clinical Phase	0.005	0.039	0.005	0.425	0.474
Hiperforming	Clinical + Regulatory	0.005	0.059	0.005	0.075	0.144
Lumina	Clinical Phase	0.005	0.021	0.006	0.000	0.031
Rescue code	Validation	0.005	0.020	0.005	0.000	0.031
Skin Plastic Lab	Preclinical/PoC	0.005	0.023	0.006	0.000	0.034
Totale		**0.062**	**0.809**	**0.926**	**1.345**	**3.141**

Source: Company data

THERAPEUTIC

CARTILAGO

CARTILAGO

Research: regenerative medicine against osteoarthritis and related diseases with chondroprotective, disease-modifying technologies. It has developed a proprietary peptide, derived from glucosamine, effective in controlling articular inflammation and stimulating the production of new cartilage tissue. Despite approximately 15% of people over the age of 60 suffer from osteoarthritis, currently there are no drugs or treatments that can halt or reverse the progress of the disease but only and most drugs are designed for pain therapy.

Established in 2018 - Current stage of development:

- Regen Longevity: Development as cosmetic
- Regen NAPA: Preclinic

MOLECULAR RESEARCH

MOLECULAR RESEARCH

Research: therapeutic molecules for the treatment of diabetic neuropathy and Alzheimer's disease. Furthermore, MR supports other portfolio companies and other companies in predicting molecular interactions and signal transduction, prior to initiating in vitro and in vivo trials. Studies conducted by the company are applicable in various fields, such as pharmacology, chemistry, molecular modelling, bioinformatics, drug formulation, etc..

Established in 2018 - Current stage of development:

- Molecule MRCAD for Alzheimer: Preclinic
- Molecule MRCDN for diabetic neuropathy symptoms: Preclinic
- Molecule MRCDPOL for Leukemia: Preclinic

ORPHA BIOTECH

Research: treatment for orphan diseases, e.g. auto-immune diseases which occur rarely and for which no therapies currently exist, to date with focus on systemic sclerosis (scleroderma) and juvenile rheumatoid arthritis, orphan autoimmune diseases with no cure or treatment. A new antifibrotic agent that inhibits disease progression by promoting tissue regeneration has been developed.

Established in 2019 - Current stage of development:

- Molecule C19-SMSSC for systemic sclerosis: Preclinic
- Molecule HS220 for tissue regeneration: Preclinic

NUTRACEUTICALS

ADAMAS BIOTECH

Research: antioxidant, anti-inflammatory and anti-angiogenic effects of bio-active molecules derived from green tea chains to be used in cancer prevention, diabetes cardiomyopathy treatment, dermatology, anti-ageing treatments, wound care and sports medicine.

Established in 2019 - Current stage of development:

- Biokine Advance: Validation
- May 2023: €470k financing round, with €350k loans granted by Banco BPM

MEDTECH

BIO AURUM

Research: identifying the necessary crocins to achieve the neuroprotective, antioxidant and anti-inflammatory properties of saffron extracts for the development of IHC-compliant treatments for neurodegenerative diseases such as Parkinson's and Alzheimer's and in the ophthalmic field. Bio Aurum has developed a proprietary know-how to isolate saffron in purity.

Established in 2018 - Current stage of development:

- Neu Retina Kit: Validation TLR 5/6
- Zoikos: perspective nutraceutical

BIODIAPERS

Research: Bioclay, a biodegradable product based on a proprietary formula of super-absorbent nano granular clay bonded to natural fabric (process patent), without harmful chemicals, hypoallergenic and antibacterial. Final target is raising the quality of absorbent products and reduce the massive environmental impact of conventional nappies.

Established in 2018 - Current stage of development:

- Bioclay: Preclinical (minimum viable product) TRL 4/5

CRV

Research: the robot ROSES (Robotic System for Endovascular Surgery), a patented technology to measure the forces opposed by blood vessels upon entering the catheter.

Established in 2020 - Current stage of development:

- ROSES: Clinical phase TRL 7

DTECH

Research: biocompatible hydrogels for the in-situ release of medicinal substances; these hydrogels are highly adaptable and can be used in dentistry, dermatology and oncology. Currently under development are NuvaGel, a biodegradable and biocompatible hydrogel for use in the treatment of periodontitis, and Biogel Spray for Covid-19 prophylaxis.

Established in 2017 - Current stage of development:

- NuvaGel: Clinical phase TRL 7
- Biogel Spray: Validation

HIPERFORMING RESEARCH

Research: artificial intelligence solutions through a software platform with 4 initial applications:

1. Customer Relationship Management (Hi-Sales)
2. AI Cell Imaging (Hi-Trace)
3. Drug Prediction Intelligence (Hi-Drug)
4. Global Predictive Plant Maintenance (Hi-Keep).

Established in 2017 - Current stage of development:

- Hi-Trace: Clinical phase TRL 6
- Hi-Sales: Regulatory TRL 8

LUMINA NANOBIOTECH

Research: technologies for monitoring vital parameters with focus on miniaturized portable biosensors for conducting analytical tests outside laboratories, to be used in diagnostic, theragnostic, veterinary medicine, environment and agrifood applications. Currently developing a paper-based, microfluidic platform with an integrated cartridge to be connected to an external device for data management and storage, using a proprietary technology called Thermochemiluminiscence.

Established in 2019 - Current stage of development:

- PON2: Clinical phase TRL 6

RESCUE CODE

Research:

- Surgical instrument that combines a standard mono-polar scalpel and a hydrodissector (operating with sterile water and carbon dioxide used, to separate delicate tissues and cool the scalpel tip), in order to increase visibility during surgery and eliminate the side effect of tissue charring, typical of traditional instruments.
- "Cardio Intervention Protocol" for the emergency treatment of patients with heart attacks in progress, which provides a diagnostic and therapeutic pathway for the activation of a multidisciplinary rescue team composed of anesthetists, cardiac surgeons, cardiologists, perfusionists and resuscitators. The protocol also includes the use of extracorporeal oxygenation.

Established in 2018 - Current stage of development:

- Hybrid Scalpel: Validation TRL 5/6

SKIN PLASTIC LAB

Research: nanotechnology for monitoring skin temperature and vascularization using thermistors that exploit a different heat transmission methodology, creating a proprietary surface skin temperature sensing system (SSTS) useful in the treatment of certain conditions such as post-traumatic wounds, burns, skin tumors, tumor excisions and reconstructions. To date, the methods in use are invasive and expensive.

Established in 2019 - Current stage of development:

- Thermal Matrix: Preclinical TRL 4/5

Portfolio R&D development forecast

Companies and Products	Life phase									Total Investment
Therapeutic	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Over 2030**	
Cartilago										**61.0**
Regen Longevity										
Regen NAPA										
Molecular Research										**152.2**
MCR AD										
MCR DN										
MRCDPOL										
Orpha Biotech										**23.2**
C19-SMSSC										
HS220										
Nutraceuticals	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Over 2030**	
Adamas										**0.5**
Biokine Advance										
MedTech	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Over 2030**	
Bio Aurum										**0.9**
Neu Retina Kit										
Zoikos										
Biodiapers										**1.0**
Bio-Clay										
CRV										**2.1**
Roses										
Dtech										**2.6**
Nuvagel										
Biogel Spray										
Hiperforming										**1.5**
HiTrace										
HiSales										
Lumina										**1.8**
PON2										
Rescue code										**1.6**
Hybrid Scalpel										
Skin Plastic Lab										**1.4**
Thermal Matrix										
Totale										**249.8**

Therapeutic	MedTech	Nutraceuticals	Colour
Basic research	Basic research	Basic research	
Preclinical	Preclinical/PoC	Industrial partner	
Phase I	Validation	Clinical Test	
Phase II	Clinical Phase	Validation	
Phase III	Regulatory	Regulatory	
Regulatory	Mkt preparation	Mkt preparation	
Market Entry	Market Entry	Market Entry	

Source: EnVent elaboration on Company data

7. MARKET METRICS

Market value of listed companies

Within the wide Biotech and MedTech market, populated by startups, medium and large pharma companies, venture capitalists and private equity founds focused on life sciences, we have reviewed and selected the listed companies whose characteristics match the below factors to identify a cluster of industry players to a certain extent comparable to Cube Labs.

Selection criteria

Key factors:

- R&D in biotech and MedTech
- Early-stage projects
- Geographical scope: worldwide

Industry players segmentation

We have clustered the analyzed companies in two peer groups of companies focused on biotech and MedTech, aiming to detect consistencies between business models and to understand key market metrics:

- Pharmaceutical companies working on early-stage projects
- Venture capitals and private equity funds

Profiles – Pharma

Actinogen Medical (Australia) - Market cap €31.5m
Biotechnology company which develops therapies for cognitive impairment associated with chronic neurological diseases (Alzheimer and schizophrenia). The company is developing a therapy for diabetes and other disorders, which has completed Phase II clinical trials.

Arovella Therapeutics (Australia) - Market cap €24.8m
Biotechnology company focused on new therapies for treatment of cancer and conditions that affect the central nervous system in Australia. The company's product pipeline includes oral sprays to treat short-term insomnia, migraine headache, cancer. It has agreements with partners to develop an oral spray of pharmaceutical-grade cannabinoid derivatives for the treatment of drug-resistant epilepsy, melanoma and a collaborative research agreement with Imperial College London.

BerGenBio (Norway) - Market cap €25.7m
Clinical-stage biopharmaceutical company based in Bergen, Norway. It develops drugs to treat immune evasive, drug resistant, metastatic cancers and respiratory diseases. Its Phase II clinical trial program focuses on treatment of non-small cell lung cancer, acute myeloid leukemia, and myelodysplastic syndrome, as well as COVID-19. In addition, it is developing an anti-AXL antibody that is in Phase I clinical trial. BerGenBio ASA has a collaboration agreement with Merck & Co. for clinical trials.

Chimeric Therapeutics (Australia) - Market cap €12.7m

Pharmaceutical company that research, develops, and commercializes cell therapies for cancer, actually in Phase I clinical study for Glioblastoma, neuroendocrine tumors, colorectal, pancreatic, and gastric cancer. It has a strategic partnership with OncoBay Clinical.

IRLAB Therapeutics (Sweden) - Market cap €37m

Company developing drugs for the treatment of Parkinson, dyskinesia, postural dysfunction and research programs for the treatment of neurodegenerative disorders and ageing and neurological diseases. Its products are actually in Phase II and preclinical phase.

Oryzon Genomics (Spain) - Market cap €118.7m

Clinical phase biopharmaceutical company based in Spain that develop genetics-based therapeutics for patients with cancer and CNS disorders. Its product includes also an inhibitor that is in preclinical development for the treatment of non-oncological diseases.

OSE Immunotherapeutics (France) - Market cap €55m

Developer of immunotherapies for immune activation and regulation in immuno-oncology and autoimmune diseases. Its products line up include Phase III clinical stage for the treatment of non-small cell lung cancer, Phase II clinical trial to pancreatic and ovarian cancer; a prophylactic vaccine against the SARS-CoV-2 virus; Phase I clinical trial to treat solid tumors. The company's products also comprise Phase II clinical trial for the treatment of ulcerative colitis, as well as Sjögren's Syndrome, and a Phase I clinical trial for the treatment of rheumatoid arthritis. OSE has collaborations and partnerships with GERCOR, Boehringer Ingelheim, Servier, and Chong Kun Dang Pharmaceutical Corporation.

Oxford Biomedica (UK) - Market cap €497m

Biopharmaceutical company based in Oxford that research, develop and bioprocess cell and gene therapy products in Europe. The company's products under development stage include treatment for Parkinson's disease and a pre-clinical stage for the treatment of hematological tumors and for the treatment of liver indication. The company has partnerships with Novartis, Bristol Myers Squibb, Sio Gene Therapies, Orchard Therapeutics, Boehringer Ingelheim, the UK Cystic Fibrosis Gene Therapy Consortium, Immatics, Arcellx, and Vaccines Manufacturing and Innovation Centre. The company also has research collaboration agreements with Circularis Biotechnologies, Virica Biotech, Isolere Bio and BiologIC Technologies.

Shield Therapeutics (UK) - Market cap €95.7m

Specialty pharmaceutical company that develops and commercialize clinical stage pharmaceuticals to treat unmet medical needs. Company's lead product is a non-salt based oral therapy for the treatment of iron deficiency with or without anemia in adults. It's also developing a novel phosphate binder in Phase II pivotal study for hyperphosphatemia with chronic kidney disease. The company was founded in 2008 and is based in United Kingdom.

Ultimovacs (Norway) - Market cap €226m

Pharmaceutical company based in Norway that develops immunotherapies for cancers. Its lead product candidate is a peptide-based vaccine that induces T cell response against the universal cancer antigen telomerase.

Profiles – VC and PE

Arix Bioscience (UK) - Market cap €171.6m

Founded in 2015 and based in London, Arix is a venture capital focused on late pre-clinical to clinical stage ventures. The firm invests globally in biotech companies, novel therapeutics, innovative technologies, medical innovation comprising healthcare and life sciences, covering a diversified range of therapeutics areas. It primarily makes investments from its own balance sheet and take board seat in the investee companies, playing an active role.

BB Biotech (Switzerland) - Market cap €2481m

Equity fund launched and managed by Bellevue Asset Management, investing in public equity markets to obtain long-term capital growth from biotech companies developing and marketing innovative drugs. At least 90% of the portfolio is held in listed companies, primarily those with products already on the market or promising drug candidates in advanced stages of development.

HBM Healthcare Investments (Switzerland) - Market cap €1484m

Investment company that invests in healthcare companies globally, targeting middle market and mature companies, with a focus on human medicine, drugs, pharma, biopharma, biotechnology, diagnostics, medical technology, and related industries. HBM make initial investments in companies with products in clinical development or preceding stage, investing in startup, early and mid-stage, mid venture, late venture, and late-stage private companies, unlisted emerging companies, small cap public companies, and private investment in public equities (PIPES). It also finances product lines spin-offs from larger corporations. It acquires majority participations, usually taking a board seat. The fund increases its investment in portfolio companies, participating in follow-on financing or after the IPO.

IP Group (UK) - Market cap €691m

PE and VC firm specialized in seed, early stage, start-up, incubation, growth capital, and mature financing, seeking to invest in life sciences, pharmaceuticals & biotechnology, medical equipment and supplies, healthcare, but also in energy & renewables, cleantech, intellectual property, ITC and chemicals. The firm also provides support and seed capital financing to spin out companies from universities. It typically invests between £0.5m and £1m per investment. IP Group Plc was founded in 2001 and is based in London, United Kingdom.

Mutter Ventures (Spain) – Market cap €24.6m

Venture builder which aims to identify and invest in high-impact business, focused in healthcare, fintech, blockchain, web3 and service sectors.

Syncona (UK) - Market cap €1178m

Closed-ended investment trust specialized in healthcare and life science investments with focus on cell therapy, gene therapy, biologics and small molecules. Syncona works in close partnership with academic founders and management teams, owning significant ownership positions in the companies and it targets medium to long term returns.

The Biotech Growth Trust (UK) - Market cap €341m

Closed ended equity mutual fund launched by Frostrow Capital and managed by OrbiMed Capital. The fund invests in biotechnology public equity markets on a worldwide basis.

Xlife Sciences (Switzerland) - Market cap €223m

Developer and marketer of early-stage research projects from universities and other research institutions in the life sciences industry, Xlife is mainly focused on:

- technology platforms to identify therapeutic approaches and biomarkers for diseases and functional screening of antibodies
- biotechnologies/therapies for the treatment of life-threatening diseases for human and veterinary medicine
- medical technology for cellular 3D screen printing of biomaterials, new drug delivery system and new screening instruments
- AI-based computer-assisted diagnostic systems.

Source: S&P Capital IQ, market cap at 02/08/2022

8. FINANCIAL ANALYSIS AND VALUATION

Financial analysis

Cube Labs costs and revenues reflect the operations of an early-stage venture builder, where an increase and a diversification in revenues is expected in more advanced R&D phases. Most revenues have been so far services billed to portfolio companies, which are exempted from consolidation being investment vehicles; those revenues, offset by corresponding costs of subsidiaries, to date have not been cashed in, with portfolio companies resources dedicated to R&D acitivities.

The venture builder business model shows its impact on balance sheet:

- Net invested capital (€55.7m) is mainly made by the value of the portfolio companies (€52.3m), based on an independent appraisal (2020, €52.1m)
- Net working capital at €3m, with over €3.4m receivables from subsidiaries for billed services.

At year-end 2022 net financial debt was €3.3m from €1.8m in 2021. Adjusted for overdue tax and trade liabilities, 2022 net financial debt would be €3.6m.

Our estimates

Most of Cube Labs studies are at an early-stage of development and forecast of financing of projects advancements is fairly subjective as per timing and size. The scope of our projections does not factor in portfolio funding and investments, royalty or exit revenue and financing dynamics other than IPO proceeds.

We assume an inertial revenue for services and cost trend, tied to the number of companies in Cube Labs' portfolio, which is expected to grow over the next years fueled by IPO proceeds in our simulation.

Assumptions

Revenues	- Services to subsidiaries: in line with present projects
Operating costs	- In line with present projects
Income taxes	- Corporate tax (IRES): 24%; Regional tax (IRAP): 3.90%
Working capital	- Consistent with historical records
Capex	- One-off IPO cost of €1m in 2023, tax relief not factored in
Financial debt	- No debt repayment assumptions in the short-term
Equity	- €4.1m IPO proceeds in 2023 - No dividend distribution

Source: EnVent Research

Our estimates

Profit and Loss

€m	2019	2020	2021	2022	2023E	2024E
Services billed to subsidiaries	0.5	0.9	1.1	1.0	1.1	1.2
Other income	0.0	0.0	0.0	0.1	0.1	0.1
Total Revenues	**0.6**	**1.0**	**1.1**	**1.1**	**1.2**	**1.4**
YoY %	-	*67.3%*	*18.6%*	*1.4%*	*8.8%*	*8.9%*
Services	(0.2)	(0.4)	(0.6)	(0.9)	(0.6)	(0.7)
Personnel	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other operating costs	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
D&A	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)
Write-down receivables	(0.0)	(0.1)	0.0	0.0	0.0	0.0
EBIT	**0.2**	**0.3**	**0.4**	**0.0**	**0.4**	**0.3**
Interest	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
EBT	**0.2**	**0.3**	**0.3**	**(0.1)**	**0.2**	**0.1**
Income taxes	(0.1)	(0.1)	(0.1)	0.0	(0.1)	(0.0)
Net Income (Loss)	**0.1**	**0.2**	**0.2**	**(0.1)**	**0.1**	**0.1**
Margin	*24.1%*	*23.1%*	*19.0%*	*-6.4%*	*11.6%*	*6.1%*

Source: Company data 2019-22A, EnVent Research 2023-24E

Balance Sheet

€m	2019	2020	2021	2022	2023E	2024E
Receivables	0.7	1.5	2.3	3.4	4.6	5.9
Payables	(0.1)	(0.1)	(0.1)	(0.3)	(0.2)	(0.2)
Working Capital	0.6	1.4	2.2	3.1	4.4	5.7
Other assets (liabilities)	1.1	0.9	(0.3)	(0.0)	(0.1)	(0.1)
Net Working Capital	**1.6**	**2.3**	**1.9**	**3.1**	**4.4**	**5.6**
Intangible assets	0.0	0.0	0.0	0.3	1.2	1.0
Equity investments and financial assets	0.3	51.7	52.1	52.3	52.3	52.3
Non-current assets	**0.4**	**51.8**	**52.1**	**52.7**	**53.6**	**53.3**
Provisions	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**
Net Invested Capital	**2.0**	**54.1**	**54.0**	**55.7**	**57.9**	**59.0**
Net Debt (Cash)	**0.6**	**1.1**	**1.8**	**3.3**	**1.2**	**2.2**
Equity	**1.4**	**53.0**	**52.3**	**52.5**	**56.7**	**56.8**
Sources	**2.0**	**54.1**	**54.0**	**55.7**	**57.9**	**59.0**

Source: Company data 2019-22A, EnVent Research 2023-24E

Cash flows

€m	2020	2021	2022	2023E	2024E
EBIT	**0.3**	**0.4**	**0.0**	**0.4**	**0.3**
Current taxes	(0.1)	(0.1)	0.0	(0.1)	(0.0)
D&A	0.0	0.0	0.0	0.1	0.2
Cash flow from P&L operations	**0.2**	**0.3**	**0.1**	**0.4**	**0.4**
Trade Working Capital	(0.8)	(0.8)	(0.9)	(1.3)	(1.3)
Other assets and liabilities	0.1	1.2	(0.2)	0.0	0.0
Portfolio Investments	0.0	(0.4)	(0.2)	0.0	0.0
Operating cash flow after WC and capex	**(0.5)**	**0.3**	**(1.6)**	**(0.9)**	**(0.9)**
Interest	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Capex - IPO Costs	0.0	0.0	0.0	(1.0)	0.0
IPO Proceeds	0.0	0.0	0.0	4.1	0.0
Paid-in Capital (Assets write-up)	(51.4)	0.0	0.3	0.0	0.0
Changes in Equity	51.4	(1.0)	0.0	0.0	0.0
Net cash flow	**(0.5)**	**(0.7)**	**(1.5)**	**2.1**	**(1.0)**
Net (Debt) Cash - Beginning	(0.6)	(1.1)	(1.8)	(3.3)	(1.2)
Net (Debt) Cash - End	(1.1)	(1.8)	(3.3)	(1.2)	(2.2)
Change in Net (Debt) Cash	**(0.5)**	**(0.7)**	**(1.5)**	**2.1**	**(1.0)**

Source: Company data 2020-22A, EnVent Research 2023-24E

Valuation overview

Valuation of Biotech companies

Biotech companies usually suffer significant losses and periodically need to cover this deficit, especially for small companies building up their pipeline, needing several financing rounds to introduce to market their drugs. Therefore, the pipeline is determinant in the process of assuming a biotech company's value. Based on the industry material we reviewed, key factors to consider when performing a biotech portfolio valuation are:

- Time to reach the market and probability of failure: new drugs and products face long development time to reach the market, from 10 to 15 years and over, and during development can encounter issues in clinical trials, requiring additional investment or larger timing to be marketed after regulatory approval. New drugs are exposed to a high risk of failure due to both timing and clinical tests results to be approved. Investors prefer companies with multiple drugs, from Phase 2 on, to diversify and avoid crushing losses if the only product candidate fails.
- Diseases value: some diseases have huge potential markets but also strong competition and if the new drug does not offer better efficacy or fewer side-effects, it may not get approved. Less-common diseases can represent big opportunities, such as orphan drugs. Furthermore, companies developing rare disease treatments have additional assistance as market exclusivity and less stringent trial enrollment targets.
- Corporate target: many biotechs develop drugs on their own only to trade them for upfront cash and future royalties to larger pharma company, while others keep marketing rights and build their own sales force: the last seems to be the most valuable strategy for shareholders, but it's riskier. Biotechs can even choose to co-promote a drug with a larger

partner or may opt to do so to build an internal sales force without completely sacrificing the cash flow that can come from royalties.
- Capital structure and financing options: biotechs burn through money, considering the huge cost for clinical trials.

Biotech valuation metrics

Low reliability of any valuation and high volatility of results: high risk, high return

Managing a biotech company implies recurring and increasing cash out from the beginning of each R&D project, with expected highly rewarding cash inflows at advanced development, whose side effect would be also balancing projects incurring significantly negative cash flows or failure. In this framework, typical measures like EBITDA, EBIT, Price/Earnings, revenue multiples are unusable to assess a value, as also discounted cash flows models, given the extreme subjectivity of projections, timing and risk factors. Although DCF is a widely preferred and applied methodology, its reliability is questioned by the high sensitivity to discount rates and the high subjectivity exercised when judgmental high-risk factors are introduced. Moreover, biotech projections would typically simulate at least one decade of cash-outs only and following several decades of expected payback according to projections of worldwide sales. One of the key basic assumptions when discounting cash flows, i.e. the rising irrelevance of estimates over the first 5/10 years of projections, would result in an inherent impairment of its reliability.

Many analysts construct discounted cash flow models for early stage biotechs, adopting hard discount factors to deal with an outcome which is often quite binary ("drug works" or "drug does not work").

The value of a biotech company with breakthrough products in pipeline relies on probability calculation of future events results, which can lead to subjective value assumptions and so to value ranges wider than other industries. Within this framework, comparative value measures seem more suitable, such as comparable M&A transactions, market peers multiples and multiples of invested R&D. The latter is essentially a cost-based valuation based on the only actual measure available; in this case, the R&D development stage has to be necessarily considered with a congruous probability of failure factor in the calculations.

Key valuation topics

The profile of Cube Labs is that of an early-stage company operating in the wide biotech startup market. Being in this phase of its lifecycle, Cube Labs will continue to invest in new biotech companies and to support the R&D development of portfolio companies, with a long-term business plan to monetize the early-stage funding. Information currently available about Cube Labs portfolio includes the stage of advancement and an overall estimate of increasing probability of success/failure on a very wide scale, as a common practice in the industry, which we consider a useful reference to critically approach the high subjectivity of a biotech valuation.

Value drivers

- Team expertise and market relationships
- Ability in finance trial of R&D investment
- Minimal operating costs

Use of market metrics and valuation issues

- Considering the absence of public information disclosed by peer companies about their operational metrics, financing, market transactions, etc. we had to rely on freely available public data, mainly on completed transaction values, from online platforms (such as Crunchbase and Dealroom), sources whose reliability might be lower than a standard set of public market data
- Available market multiples of peers come from a wide range of companies with business mixes fairly different from Cube Labs and thus the effective peers' comparability is low
- The valuation is run in a framework of high volatility, including domestic and international turbulence and a rising inflation perspective; as a consequence, certain value determinants are subject to significant judgmental adjustments

Valuation

Having commented the low significance of DCF valuation on hardly predictable projections extended over two decades to assess the value of a biotech company, we have applied two alternative methods for Cube Labs valuation:

- Portfolio valuation
- Market multiples from Cube Labs listed peers, specialized VC and PEs

Portfolio valuation by multiples

Our estimate of Cube Labs Equity Value is based on the sum of its stakes in the subsidiaries. For each subsidiary we follow these steps:

- Selection of comparable companies developing drugs/products for the same or similar disease at any life stage according to publicly disclosed information
- Estimate of funding received to date for each company, assuming the amount raised in its funding rounds as a proxy of the R&D amount needed to date. Thus, such proxy is to be considered inherently underestimating the amount needed, since excluding any additional financing whose size is as larger as close to development end.
- Enterprise value publicly available on online databases, relying on either publicly disclosed value or estimates based on last or same founding round as benchmarks, or enterprise value estimates from current market cap for listed peers
- Calculation of the EV/R&D multiple and application of mean and median multiples on the R&D amount already disbursed and planned for each subsidiary

Therapeutic multiples (€m)

Therapeutics	Source	EV Min	EV Max	EV	R&D Financing (progressive)	EV/R&D
CARTILAGO	Company data				61.3	
Peers panel						
Flexion Therapeutic	Public database	450.0	630.0	540.0	92.0	5.9x
Xalud Therapeutics	Public database	120.0	180.0	150.0	42.3	3.5x
OneSkin Technologies	Public database	50.0	74.0	62.0	19.6	3.2x
Biosplice (ex Samumed)	Public database	11600.0	11600.0	11600.0	778.0	14.9x
Concentric Analgesics	Public database	304.0	456.0	380.0	103.1	3.7x
Bioventures	Public database	nm	nm	nm	nm	nm
Angellift	Public database	3.0	3.0	3.0	nm	nm
Average						6.2x
Median						3.7x
MRC	Company data				152.4	
Peers panel						
Cognition Therapeutics	S&P Capital IQ			8.8	133.1	0.1x
TheraVasc	Public database	10.0	14.0	12.0	3.4	3.5x
Tranquis Therapeutics	Public database	120.0	180.0	150.0	30.0	5.0x
NeuroGenetic Pharmaceuticals	Public database	0.4	0.6	0.5	4.0	0.1x
Oligomerix	Public database	14.0	14.0	14.0	27.1	0.5x
T3D Therapeutics	Public database	75.0	75.0	75.0	40.4	1.9x
Average						1.8x
Median						1.2x
ORPHA BIOTECH	Company data				23.4	
Peers panel						
Talaris Therapeutics	S&P Capital IQ			-58.0	215.0	-0.3x
Avalyn Pharma	Public database	142.0	213.0	177.5	97.5	1.8x
Blade Therapeutics	Public database	180.0	270.0	225.0	51.5	4.4x
Pliant Therapeutics	S&P Capital IQ			727.3	207.4	3.5x
Passage Bio	S&P Capital IQ			-108.2	379.5	-0.3x
Renovion	Public database	60.0	90.0	75.0	29.4	2.6x
Amira Pharmaceuticals	Public database	475.0	475.0	475.0	32.0	14.8x
Fibrocell	Public database	63.3	63.0	63.2	115.0	0.5x
Average						3.4x
Median						2.2x

Source: EnVent Research on Company data, publicly available information and S&P Capital IQ, 02/08/2023

Nutraceuticals multiples (€m)

Nutraceuticals	Source	EV Min	EV Max	EV	R&D Financing (progressive)	EV/R&D
ADAMAS BIOTECH	Company data				1.1	
Peers panel						
ScotBio	Public database	11.0	16.0	13.5	7.3	1.8x
Teazen	Public database	70.0	70.0	70.0	nm	nm
Cambridge Nutraceuticals	Public database	10.0	15.0	12.5	3.0	4.2x
Average						3.0x
Median						3.0x

Source: EnVent Research on Company data, publicly available information and S&P Capital IQ, 02/08/2023

MedTech multiples (€m)

MedTechs	Source	EV Min	EV Max	EV	R&D Financing (progressive)	EV/R&D
BIO AURUM	Company data				1.2	
Peers panel						
Cytox	Public database	14.0	21.0	17.5	15.5	1.1x
TauRx Pharmaceuticals	Public database	476.0	714.0	595.0	376.5	1.6x
NeuroVision Imaging	Public database	nm	nm	nm	21.2	nm
Average						1.4x
Median						1.4x
BIODIAPERS	Company data				1.8	
Peers panel						
The Honest Company	S&P Capital IQ			146.6	503.0	0.3x
Paragon Trade Brands	Public database	650.0	650.0	650.0	nm	nm
Diana Vietnam	Public database	128.0	128.0	128.0	nm	nm
Average						0.3x
Median						0.3x
CRV	Company data				2.2	
Peers panel						
Auris Health	Public database	3400.0	3400.0	3400.0	733.2	4.6x
Average						4.6x
Median						4.6x
DTECH	Company data				3.0	
Peers panel						
Ocular Therapeutix	S&P Capital IQ			269.2	271.4	1.0x
Replication Medical	Public database	nm	nm	nm	1.7	nm
Pertinax Pharma	Public database	nm	nm	nm	1.8	nm
Average						1.0x
Median						1.0x
HIPERFORMING	Company data				1.7	
Peers panel						
Keen Eye	Public database	26.0	40.0	33.0	nm	nm
Enlitic	Public database	100.0	150.0	125.0	55.0	2.3x
NuMedii	Public database	8.0	12.0	10.0	5.5	1.8x
Average						2.0x
Median						2.0x
LUMINA	Company data				1.8	
Peers panel						
Abingdon Health	S&P Capital IQ			33.1	12.6	2.6x
SpinChip Diagnostics	Public database	63.0	94.0	78.5	15.7	5.0x
Novosanis	Public database	nm	nm	nm	0.4	nm
Luminostics	Public database	nm	nm	nm	2.0	nm
Opticul Diagnostics	Public database	2.0	3.0	2.5	0.5	5.6x
Immunodiagnostic System	Public database	155.0	155.0	155.0	nm	nm
Average						4.4x
Median						5.0x

RESCUE CODE	Company data				1.7	
Peers panel						
Cipher Surgical	Public database	10.0	14.0	12.0	6.7	1.8x
Mariner Endosurgery	Public database	nm	nm	nm	nm	nm
Average						1.8x
Median						1.8x
SKIN PLASTIC LAB	Company data				1.5	
Peers panel						
Zipline Medical	Public database	36.0	54.0	45.0	56.0	0.8x
WarmUp	Public database	nm	nm	nm	nm	nm
Average						0.8x
Median						0.8x

Source: EnVent Research on Company data, publicly available information and S&P Capital IQ, 02/08/2023

Multiples application on Cube Labs portfolio (€m)

Company	R&D	EV/R&D Peers		Exit Value	
		Mean	Median	Mean	Median
Therapeutics					
Cartilago	61.3	6.2x	3.7x	382.0	225.8
Molecular Research	152.4	1.8x	1.2x	281.8	180.8
Orpha Biotech	23.4	3.4x	2.2x	79.3	51.2
Nutraceuticals					
Adamas Biotech	1.1	3.0x	3.0x	3.2	3.2
MedTechs					
Bio Aurum	1.2	1.4x	1.4x	1.6	1.6
Biodiapers	1.8	0.3x	0.3x	0.5	0.5
CRV Medical	2.2	4.6x	4.6x	10.0	10.0
Dtech	3.0	1.0x	1.0x	3.0	3.0
Hiperforming	1.7	2.0x	2.0x	3.4	3.4
Lumina	1.8	4.4x	5.0x	8.0	9.2
Rescue Code	1.7	1.8x	1.8x	3.0	3.0
Skin Plastic Lab	1.5	0.8x	0.8x	1.2	1.2

Source: EnVent Research on S&P Capital IQ and public database, 02/08/2023

Discounting to cope with early-stage portfolio

While the enterprise value on the above charts already includes a significant inherent discount factor based on life stage and probability of default, we deem advisable to apply an additional substantial discount to weigh in the more advanced stage of completion of the studies of such peers versus most of Cube Labs portfolio studies. Thus, we apply to each value a judgmental discount rate to factor in the probability of success/failure, based on three different scenarios (low, base and high), according to life stage and product under development as detailed here below.

Cube Labs Equity Value – Mean multiples

Company	Exit value	Financing	EV	Life Stage	Probability of success			Discounted value			CL &	Cube Labs value		
					Low	Base	High	Low	Base	High	Trust %	Low	Base	High
Therapeutics														
Cartilago	382.0	(61.0)	321.1	Preclinical	7%	10%	13%	22.5	32.1	40.1	63%	14.2	20.2	25.3
Molecular Research	281.8	(152.2)	129.6	Preclinical	7%	10%	13%	9.1	13.0	16.2	65%	5.9	8.4	10.5
Orpha Biotech	79.3	(23.2)	56.2	Preclinical	7%	10%	13%	3.9	5.6	7.0	95%	3.7	5.3	6.7
Nutraceuticals														
Adamas Biotech	3.2	(0.5)	2.7	Validation	65%	70%	75%	1.8	1.9	2.1	55%	1.0	1.1	1.1
MedTechs														
Bio Aurum	1.6	(0.9)	0.6	Validation	40%	45%	50%	0.3	0.3	0.3	60%	0.2	0.2	0.2
Biodiapers	0.5	(1.0)	(0.4)	Preclinical/PoC	25%	30%	35%	(0.1)	(0.1)	(0.2)	85%	(0.1)	(0.1)	(0.1)
CRV Medical	10.0	(2.1)	7.9	Clinical Phase	55%	65%	75%	4.3	5.1	5.9	51%	2.2	2.6	3.0
Dtech	3.0	(2.6)	0.5	Validation + Clinical Phase	22%	29%	38%	0.1	0.1	0.2	60%	0.1	0.1	0.1
Hiperforming	3.4	(1.5)	1.9	Clinical + Regulatory	30%	36%	43%	0.6	0.7	0.8	60%	0.3	0.4	0.5
Lumina	8.0	(1.8)	6.2	Clinical Phase	55%	65%	75%	3.4	4.1	4.7	55%	1.9	2.2	2.6
Rescue Code	3.0	(1.6)	1.4	Validation	40%	45%	50%	0.5	0.6	0.7	60%	0.3	0.4	0.4
Skin Plastic Lab	1.2	(1.4)	(0.3)	Preclinical/PoC	25%	30%	35%	(0.1)	(0.1)	(0.1)	55%	(0.0)	(0.0)	(0.0)
Total	**777.2**	**(249.8)**	**527.3**					**46.3**	**63.3**	**77.7**		**29.6**	**40.8**	**50.2**

Source: EnVent Research on Company data

Cube Labs Equity Value – Median multiples

Company	Exit value	Financing	EV	Life Stage	Probability of success			Discounted value			CL &	Cube Labs value		
					Low	Base	High	Low	Base	High	Trust %	Low	Base	High
Therapeutics														
Cartilago	225.8	(61.0)	164.9	Preclinical	7%	10%	13%	11.5	16.5	20.6	63%	7.3	10.4	13.0
Molecular Research	180.8	(152.2)	28.6	Preclinical	7%	10%	13%	2.0	2.9	3.6	65%	1.3	1.9	2.3
Orpha Biotech	51.2	(23.2)	28.1	Preclinical	7%	10%	13%	2.0	2.8	3.5	95%	1.9	2.7	3.3
Nutraceuticals														
Adamas Biotech	3.2	(0.5)	2.7	Validation	65%	70%	75%	1.8	1.9	2.1	55%	1.0	1.1	1.1
MedTechs														
Bio Aurum	1.6	(0.9)	0.6	Validation	40%	45%	50%	0.3	0.3	0.3	60%	0.2	0.2	0.2
Biodiapers	0.5	(1.0)	(0.4)	Preclinical/PoC	25%	30%	35%	(0.1)	(0.1)	(0.2)	85%	(0.1)	(0.1)	(0.1)
CRV Medical	10.0	(2.1)	7.9	Clinical Phase	55%	65%	75%	4.3	5.1	5.9	51%	2.2	2.6	3.0
Dtech	3.0	(2.6)	0.5	Validation + Clinical Phase	22%	29%	38%	0.1	0.1	0.2	60%	0.1	0.1	0.1
Hiperforming	3.4	(1.5)	1.9	Clinical + Regulatory	22%	29%	38%	0.4	0.6	0.7	60%	0.3	0.3	0.4
Lumina	9.2	(1.8)	7.4	Clinical Phase	55%	65%	75%	4.0	4.8	5.5	55%	2.2	2.6	3.0
Rescue Code	3.0	(1.6)	1.4	Validation	40%	45%	50%	0.5	0.6	0.7	60%	0.3	0.4	0.4
Skin Plastic Lab	1.2	(1.4)	(0.3)	Preclinical/PoC	25%	30%	35%	(0.1)	(0.1)	(0.1)	55%	(0.0)	(0.0)	(0.0)
Total	**493.0**	**(249.8)**	**243.2**					**26.8**	**35.3**	**42.8**		**16.5**	**22.0**	**26.8**

Source: EnVent Research on Company data

Market multiples from Cube Labs listed peers, specialized VC and PEs

We have also applied alternative multiples on the industry-specific key variables R&D investments and book values, sourced from financial reports (specialized VC and PE cluster, investments book value) and equity researches (Pharma and Biotech cluster, R&D investments).

Volatility and derating

P / R&D Investments

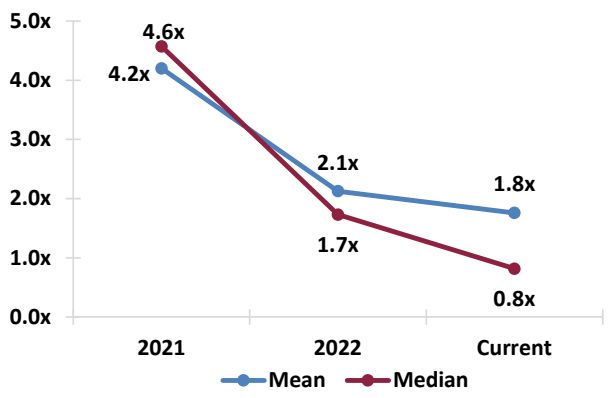
Company	2021	2022	2023
Biotech and pharma			
Actinogen Medical	5.6x	2.7x	0.4x
Arovella Therapeutics	nm	4.5x	4.4x
BerGenBio	2.7x	0.7x	0.3x
Chimeric Therapeutics	nm	1.7x	0.6x
IRLAB Therapeutics	6.6x	4.1x	0.5x
Oryzon Genomics	2.5x	1.9x	1.1x
OSE Immunotherapeutics	1.7x	0.9x	0.3x
Oxford Biomedica	4.6x	1.5x	1.6x
Shield Therapeutics	5.7x	1.0x	4.4x
Ultimovacs	nm	nm	4.2x
Mean	**4.2x**	**2.1x**	**1.8x**
Median	**4.6x**	**1.7x**	**0.8x**

P / Book value

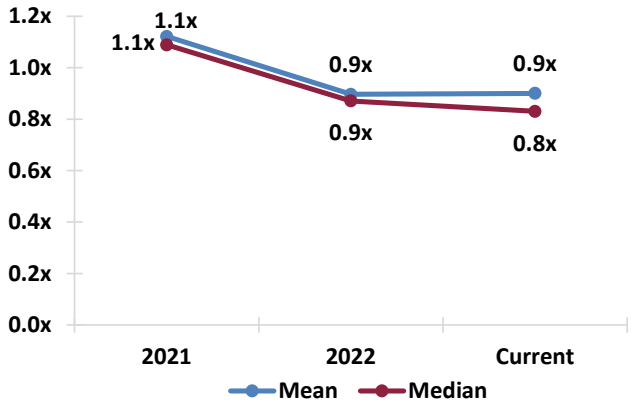
Company	2021	2022	2023
Specialized VC and PE			
Arix Bioscience	1.3x	1.3x	1.5x
BB Biotech	1.2x	1.0x	0.8x
HBM Healthcare Investments	1.0x	0.9x	0.9x
IP Group	0.9x	0.5x	0.5x
Mutter Ventures	na	na	nm
Syncona	1.7x	0.9x	0.8x
The Biotech Growth Trust	0.8x	0.9x	0.7x
Xlife Sciences	na	0.9x	1.2x
Mean	**1.1x**	**0.9x**	**0.9x**
Median	**1.1x**	**0.9x**	**0.8x**

Source: S&P Capital IQ, 02/08/2023

Biotech and pharma



Specialized VC and PE



Source: S&P Capital IQ, 02/08/2023

Application of market multiples

2021 multiples

Multiples - BT and Pharma				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
2021	R&D investments (€m)	3.1	*Mean*	4.2x	13.2	4.1	17.3
			Median	4.6x	14.4	4.1	18.5
Mean					***13.8***		***17.9***

Multiples - VC and PE				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
2021	Book value (€m)	52.1	*Mean*	1.1x	58.4	4.1	62.5
			Median	1.1x	56.7	4.1	60.8
Mean					***57.6***		***61.7***

2022 multiples

Multiples - BT and Pharma				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
2022	R&D investments (€m)	3.1	*Mean*	2.1x	6.7	4.1	10.8
			Median	1.7x	5.4	4.1	9.5
Mean					***6.1***		***10.2***

Multiples - VC and PE				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
2022	Book value (€m)	52.3	*Mean*	0.9x	46.9	4.1	51.0
			Median	0.9x	45.5	4.1	49.6
Mean					***46.2***		***50.3***

Current multiples

Multiples - BT and Pharma				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
Current	R&D investments (€m)	3.1	*Mean*	1.8x	5.5	4.1	9.6
			Median	0.8x	2.6	4.1	6.7
Mean					***4.0***		***8.1***

Multiples - VC and PE				Multiple	Equity value (€m)	IPO Proceeds (€m)	Equity value post-money (€m)
		Cube Labs					
Current	Book value (€m)	52.3	*Mean*	0.9x	47.1	4.1	51.2
			Median	0.8x	43.4	4.1	47.5
Mean					***45.3***		***49.4***

Source: EnVent Research, 02/08/2023

The application of P/Book value multiple on VC and PE cluster provides fairly consistent results overtime, while Biotech and Pharma cluster gives a wider and more variable valuation range and evidences an overall derating.

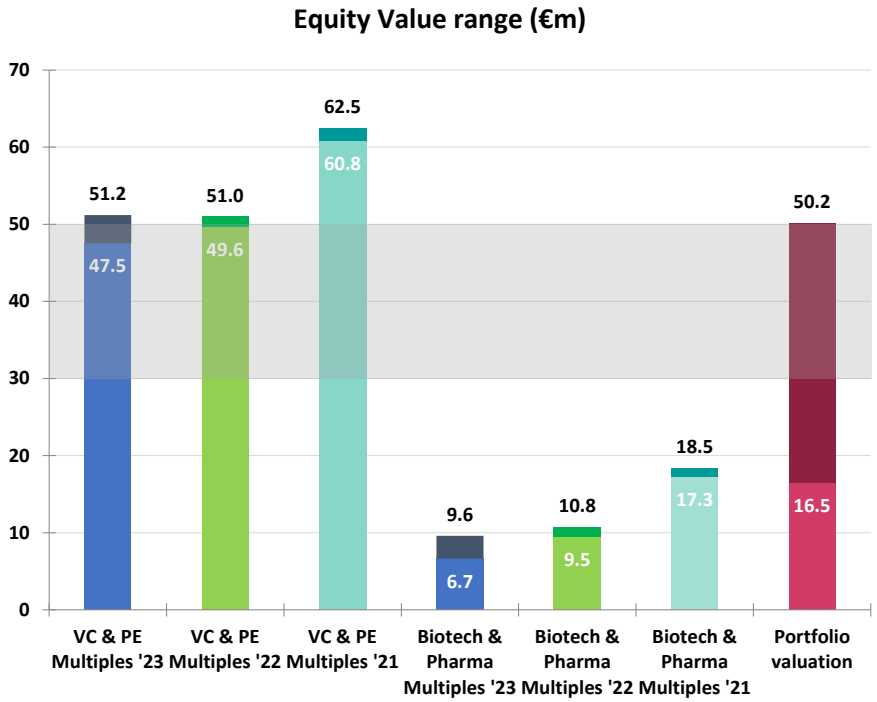
Valuation summary and Target Price

- Our valuation assumes additional financing rounds to support R&D advancements and subsequent revenue flows from projects in the midterm as a payback of investments made
- The long-time span of biotech R&D, with a high failure risk – high reward perspective, and wide misalignment between years of cash financing without revenues and significantly postponed cash flows suggest an unusually wide valuation range. However, we consider the indication of values resulting from industry data and methods applications, reported below, as a comprehensive representation of volatility and variability issues and to evaluate Cube Labs investment case
- The underlying assumption on expected value building is the successful advancement of the most appealing portfolio projects with recurring revenues

Considering the high valuation variability, multiples volatility and derating and Cube Labs early stage portfolio which implies substantial future cash needs, we initiate the coverage of Cube Labs with a NEUTRAL rating and target price of €2.00.

Portfolio valuation range: lower to higher scenario

Multiples range: mean - median gap



Please refer to important disclosures at the end of this report.

Cube Labs Price per Share	€
Target Price	2.00
Current Share Price (02/08/2023)	2.11
Premium (Discount)	**-5%**

Source: EnVent Research

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Rating system and rationale (12-month time horizon):
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Date and time of Production: 02/08/2023 h. 6.05pm
Date and time of Distribution: 03/08/2023 h. 6.35pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
03/08/2023	NEUTRAL	2.00	2.11

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