

## MADARA: Investment in Print-on-Demand Start-Up

MADARA Cosmetics ('MADARA' or the 'Company') has announced that it has invested EUR 0.35m in launching a new start-up project in the print-on-demand industry. The print-on-demand platform "Selfnamed" ([link: https://selfnamed.com](https://selfnamed.com)) is providing an opportunity to clients to start their own natural and/or organic certified cosmetics line or order products with their own brand logo and personalised design. A unique feature is that products are retaining the COSMOS natural and/or organic certification. The self-service experience includes a design studio with drag-and-drop features that allows placing the user's brand elements into label and box layouts. Market research shows that in the cosmetics industry such platforms do not currently exist.

MADARA has 15 years of experience in contract manufacturing, but the proportion from total revenue currently is not significant – 2% in 1-half of 2021. We consider Selfnamed as a synergy project that will drive contract manufacturing sales, although significant contribution to sales from the project is not expected in the short term.

There is a good reason to believe that the print-on-demand platform will be demanded as the potential client segment is very wide. Custom labelling can be of interest for brand owners like hotels creating personalized hand soaps or body/hair wash or retail chains creating personalized hand care products. Considering that there is no minimum order size, such service is available for clients that want to make a customised gift or have a custom product labelling for events. Also, influencers and content creators are seeking ways how to monetize their brand, such a platform is an easy way to personalise products. According to the management, the Selfnamed platform is targeting low-medium size orders; however, for high quantity orders, MADARA uses outsourced labelling service as it is done for contract manufacturing partners currently. The product assortment at Selfnamed currently is rather limited, but according to the management, it will be extended over time. As more companies and society, in general, are looking for ways to make themselves more sustainable, MADARA product content and packaging is suitable for such purpose.

### Company Profile

Listing Market:	First North Baltic Share List
Bloomberg Ticker:	MDARA LR
ISIN:	LV0000101624
Industry (Bloomberg):	Consumer Discretionary
Sector (Bloomberg):	Consumer Products and Services
Website:	<a href="http://www.madaracosmetics.com">www.madaracosmetics.com</a>

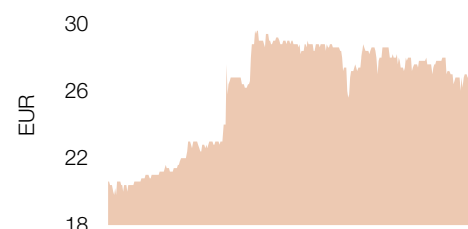
### Share Data, as of 16<sup>th</sup> Feb 2022

Current Share Price (EUR):	26.00
Fair Value Range (FVR), EUR:	23.80-26.30
Downside, % (to mid-point of FVR):	3.65
52-week High/Low (EUR):	31.20/19.00
3m Avg. Daily Volume (th):	0.20
Market Cap (EURm):	98.03
Ordinary Shares (m):	3.77

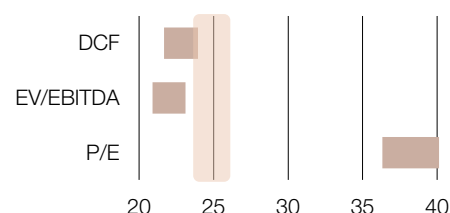
### Key Shareholders, as of 30<sup>th</sup> July 2021

Uldis Iltners	23.92%
Lote Tisenkopfa-Iltne	23.77%
Oy Transmeri Group AB	22.93%
Liene Drāzniece	6.79%
Zane Tamane	6.45%

### 12-Month Price Performance



### LHV Fair Value Range: EUR 23.80-26.30\*



\* As of 27<sup>th</sup> July 2021

Key Numbers (EURm)	2018	2019	2020	2021E	2022E*	2023E*
Sales (EURm)	9.5	11.5	16.1	19.5	24.1	27.0
Sales growth (%)	28.7	21.2	39.2	21.3	23.7	12.0
Net profit (EURm)	1.5	1.6	3.4	4.2	5.4	6.4
EPS (EUR)	0.4	0.4	0.9	1.1	1.4	1.7
P/E (x)	19.6	18.8	21.7	25.1	18.0	15.3
Payout per share (EUR)#	0.1	0.1	0.1	0.4	0.6	0.7
Payout yield (%)	1.1	1.5	0.8	1.4	2.3	2.8
P/B (x)	3.5	3.1	6.0	6.9	5.3	4.4
EV/Sales (x)	2.7	2.3	4.3	5.0	4.0	3.6
EV/EBITDA (x)	13.1	12.1	16.2	18.2	14.5	12.3
EV/EBIT (x)	17.7	17.9	19.5	21.0	16.1	13.7
ROE (%)	19.3	17.4	31.4	30.1	31.8	31.2

Source: MDARA, LHV \*2022E-2023E multiples are based on the share price (16<sup>th</sup> Feb 2022) of EUR 26.00 per share \*Payout per share include dividends and share capital reduction.

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**Images:**

Front cover © istockphoto.com

Date and time of sign-off: Thursday 17<sup>th</sup> Feb, 18:00**Disclaimer**

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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -5% to 10% within 12-18 months (including dividends)
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