OTOFARMA

Sector: Healthcare

Hear the paradigm shift

BUY

New Coverage

TP 8.0

New Coverage

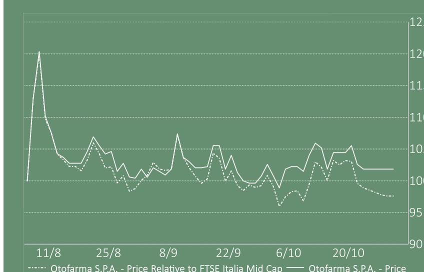
Target price upside 45%

Otofarma is unlocking an underserved market by shifting hearing care into pharmacies. With 7mn Italians suffering from hearing loss and only 30% adopting a device, the company addresses an unmet clinical need through a decentralised model built on tele-audiology, in-house production, and over 4k pharmacy partners. With a sales CAGR 24-27E of 19% and EBITDA 27E projected to reach nearly 20%, OTO should accelerate growth thanks to the recent net IPO proceeds (Eu9.1mn), both organically and through selective M&A. We initiate coverage with BUY and TP of Eu8.0/share. First-mover advantage in the pharmacy channel, competitive pricing and full-service offerings pave the way for sustained market share gains, enhanced profitability, and long-term value creation.

- **Domestic hearing care innovator.** Otofarma is a leading Italian manufacturer of hearing aids, distinguished by its innovative multi-channel distribution model that primarily leverages a highly efficient network of 1,825 active pharmacies across Italy. As a first mover in utilizing pharmacies as a strong yet underpenetrated retail channel, Otofarma generated Eu15.1 million in revenue in FY24, with 87% of sales derived from the pharmacy network. During the year, the company sold over 12,000 hearing aids to c.6,000 patients. The remaining 13% of sales were driven by its expanding network of directly operated stores and by a full set of accessories.
- **A full integrated model powered by pharmacies.** Otofarma covers the full value chain of the hearing aids industry, from production (mainly assembly and tailoring) to distribution via a unique partnership approach with pharmacies, driven by a rebate fee incentive. By leveraging a capillary network of pharmacies, Otofarma maintain a lean and asset-light model, sustained by 130+ independent sales consultants that oversee pharmacy channel productivity. This unlocks further capital allocation towards product R&D and service innovation (5% R&D/sales in FY24).
- **First mover advantage and unique approach.** Vertically integrated players dominate the market (e.g. Sonova). The domestic arena, worth Eu870mn, includes independent retailers like Amplifon and smaller, pure-play manufacturers with limited or no retail operations. In an industry where technology leadership is valuable but no longer sufficient, competitive advantage increasingly depends on service excellence, brand visibility, pricing, and distribution. Otofarma's differentiated and asset-light model, competitive pricing and full-service offerings are clear competitive edges. This is reflected in its robust FY24 ROCE of 32.3%.
- **Untapped growth potential in the pharmacy channel.** We expect Otofarma to scale both organically and through selective M&A, pivoting on key strategic pillars: 1) expanding production capacity; 2) strengthening its distribution network, both directly and via affiliated pharmacies; and 3) pursuing acquisitions in manufacturing, retail, or small international brands to scale abroad. Additionally, the group is expected to maintain a strong focus on R&D, with ongoing investments in telemedicine solutions, new product development, and an expanded product portfolio (e.g., supplements), aiming to increase customer's share of wallet.
- **19% CAGR 24-27E in sales with EBITDA margin at 20%.** We believe Otofarma should continue to deliver remarkable growth in the coming years, resulting in revenue increasing by +19% CAGR 24-27E. EBITDA adj. should increase from Eu3.0mn/18.8% margin in FY24 to Eu5.4mn/19.9% in FY27E (21.7% CAGR) mainly thanks to the expansion of the pharmacy channel due to the rising number of active pharmacies and higher units sold per location. Favourable product mix and higher contribution from the direct channel are also strong top-line tailwinds. The asset-light and low capex needs unlock strong capital returns and cash generation (Eu2.2mn FCF in FY25-27E, reaching 27% EBITDA conversion), with a net cash of Eu11.2mn by 27E.
- **We initiate coverage with BUY and TP of Eu8.0/share.** Our valuation combines a DCF (70% weight) and relative valuation (30%). Given the limited availability of direct comps, we identified two clusters: (1) audiology service providers/manufacturers, and (2) niche healthcare operators with pharmacy channel exposure. We focus on the EV/EBIT multiple, which best captures OTO's asset-light structure and margin profile. However, we believe investors should place greater emphasis on our 4-Y DCF model (WACC: 8.9%, g: 1.5%), as it better reflects the group's strong FCF generation potential. The weighted average of these methods yields a TP of Eu8.0/share, implying 45% upside from the current share price. BUY.

Ticker (BBG, Reut)	OTO IM	OTO MI
Share price Ord. (Eu)		5.5
N. of Ord. shares (mn)		5.8
Total N. of shares (mn)		5.8
Market cap (Eu mn)		32
Total Market Cap (Eu mn)		32
Free Float Ord. (%)		11%
Free Float Ord. (Eu mn)		3
Daily AVG liquidity Ord. (Eu k)		69

	1M	3M	12M
Absolute Perf.	na	na	na
Rel.to FTSEMidCap	na	na	na
52 weeks range		5.4	6.5



	FY24A	FY25E	FY26E
Sales	15	18	21
EBITDA adj.	3.0	2.4	4.1
Net profit adj.	1.4	1.1	1.8
EPS adj.	-	0.19	0.31
DPS - Ord.	-	0.00	0.00
EV/EBITDA adj.	-	9.5x	5.5x
P/E adj.	-	29.2x	17.8x
Dividend yield	-	0.0%	0.0%
FCF yield	-	neg.	2.7%
Net debt/(Net cash)	0.2	(8.9)	(9.7)
Net debt/EBITDA	0.1x	nm	nm

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Summary Financials (ITA GAAP)

P&L account (Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Net Revenues	11.7	15.1	17.5	21.0	25.3
Total Revenues	12.2	15.9	18.8	22.3	27.0
EBITDA reported	1.4	2.3	2.0	4.1	5.4
D&A	(0.1)	(0.4)	(0.5)	(0.6)	(0.7)
EBIT reported	1.3	1.9	1.5	3.4	4.7
Net financial charges	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)
Associates	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	1.1	1.7	1.3	3.3	4.5
Taxes	(0.4)	(1.0)	(0.7)	(1.5)	(2.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	0.0	0.0	0.0
Net profit reported	0.7	0.7	0.7	1.8	2.5
EBITDA adjusted	**1.6**	**3.0**	**2.4**	**4.1**	**5.4**
EBIT adjusted	**1.4**	**2.6**	**1.9**	**3.4**	**4.7**
Net profit adjusted	**0.8**	**1.4**	**1.1**	**1.8**	**2.5**

Margins (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Gross margin	na	na	na	na	na
EBITDA margin adj.	13.0%	18.8%	13.0%	18.2%	19.9%
EBIT margin adj.	11.6%	16.4%	10.0%	15.4%	17.3%
Pre-tax margin	9.2%	10.6%	7.1%	14.7%	16.7%
Net profit margin adj.	6.9%	8.6%	5.8%	8.0%	9.2%

Growth rates (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	-	29.0%	16.4%	19.6%	20.8%
EBITDA	-	62.2%	-11.5%	99.3%	32.0%
EBITDA adjusted	-	88.2%	-18.0%	66.6%	32.0%
EBIT	-	54.8%	-22.9%	130.8%	35.2%
EBIT adjusted	-	84.7%	-27.3%	82.0%	35.2%
Pre-tax	-	49.3%	-20.9%	146.7%	37.0%
Net profit	-	3.2%	-2.3%	160.3%	39.5%
Net profit adjusted	-	63.5%	-20.8%	64.1%	39.5%

Per share data	FY23A	FY24A	FY25E	FY26E	FY27E
Shares	-	-	5.76	5.76	5.76
N. of shares AVG	-	-	5.76	5.76	5.76
N. of shares diluted AVG	-	-	2.88	5.76	5.76
EPS	-	-	**0.12**	**0.31**	**0.43**
EPS adjusted	-	-	**0.19**	**0.31**	**0.43**
DPS - Ord.	-	-	**0.00**	**0.00**	**0.00**
DPS - Sav.	-	-	0.00	0.00	0.00
BVPS	-	-	2.59	2.89	3.32

Enterprise value (Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Share price Ord. (Eu)	-	-	5.5	5.5	5.5
Market cap	-	-	31.7	31.7	31.7
Net debt/(Net cash)	1.1	0.2	(8.9)	(9.7)	(11.2)
Adjustments	0.1	0.3	0.4	0.4	0.5
Enterprise value	-	-	23.1	22.4	21.0

Cash flow (Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA reported	-	2.3	2.0	4.1	5.4
Net financial charges	-	(0.3)	(0.2)	(0.2)	(0.2)
Cash taxes	-	(1.0)	(0.7)	(1.5)	(2.0)
Ch. in Working Capital	-	(0.3)	(0.1)	(0.4)	(0.3)
Other operating items	-	0.1	0.1	0.1	0.1
Operating cash flow	-	**0.8**	**1.2**	**2.1**	**3.0**
Capex	-	(1.1)	(1.2)	(1.3)	(1.6)
FCF	-	**(0.3)**	**(0.0)**	**0.9**	**1.4**
Disposals/Acquisitions	-	0.0	0.0	0.0	0.0
Changes in Equity	-	0.0	9.1	0.0	0.0
Others	-	1.3	0.0	0.0	0.0
Dividends	-	0.0	0.0	0.0	0.0
Ch. in NFP	-	**1.0**	**9.1**	**0.9**	**1.4**

Ratios (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Capex/Sales	-	**7.5%**	**6.8%**	**6.0%**	**6.3%**
Capex/D&A	-	3.0x	2.2x	2.0x	2.2x
FCF/EBITDA	-	-13.3%	-1.7%	21.2%	26.5%
FCF/Net profit	-	-43.8%	-5.2%	48.5%	57.5%
Dividend pay-out	-	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Balance sheet (Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Working capital	2.4	2.7	2.9	3.2	3.5
Fixed assets	2.4	3.0	3.7	4.3	5.2
Provisions & others	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
Net capital employed	**4.4**	**5.3**	**6.0**	**6.9**	**8.0**
Net debt/(Net cash)	**1.1**	**0.2**	**(8.9)**	**(9.7)**	**(11.2)**
Equity	3.3	5.1	14.9	16.7	19.1
Minority interests	0.0	0.0	(0.0)	(0.0)	(0.0)

Ratios (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Working capital/Sales	**20.8%**	**18.1%**	**16.4%**	**15.5%**	**13.9%**
Net debt/Equity	**35.3%**	**3.7%**	**nm**	**nm**	**nm**
Net debt/EBITDA	**0.8x**	**0.1x**	**nm**	**nm**	**nm**

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
EV/CE	-	-	**3.5x**	**3.0x**	**2.4x**
P/BV	-	-	2.1x	1.9x	1.7x
EV/Sales	-	-	1.3x	1.1x	0.8x
EV/EBITDA	-	-	11.3x	5.5x	3.9x
EV/EBITDA adjusted	-	-	**9.5x**	**5.5x**	**3.9x**
EV/EBIT	-	-	15.5x	6.5x	4.5x
EV/EBIT adjusted	-	-	**12.2x**	**6.5x**	**4.5x**
P/E	-	-	46.4x	17.8x	12.8x
P/E adjusted	-	-	**29.2x**	**17.8x**	**12.8x**
ROCE pre-tax	-	-	30.7%	48.8%	57.3%
ROE	-	-	**7.3%**	**10.7%**	**12.9%**
EV/FCF	-	-	neg.	26.0x	14.8x
FCF yield	-	-	**neg.**	**2.7%**	**4.5%**
Dividend yield	-	-	**0.0%**	**0.0%**	**0.0%**

Sources: Company data, Alantra estimates.

SWOT

Strengths	Weaknesses
Pioneer in audiology care through the pharmacy channel	High dependency on domestic market performance
Diversified go-to-market strategy	Lower brand recognition vs. larger market players
Recognised expertise in audiology and medtech	Direct channel still in a ramp-up phase
Scalable, capital efficient business model	High reliance on sales consultants

Opportunities	Threats
80% of Italian pharmacies yet to penetrate	Delayed ramp-up in optical partnerships
Potential upselling from accessories	Repricing risk if competitors enter the pharmacy channel
SSN pathways to drive expansion	Revenue growth is highly dependent on the pharmacy penetration rate
Bolt-on, selected acquisition	Regulatory framework

Key shareholders	Management	Next events
Bartolomucci Holding - 67.26%	Gennaro Bartolomucci - CH	
Axon Partners - 9.97%	Giovanna Incarnato Bartolomucci - CEO	
Invitalia - 6.42%	Anna Incarnato Bartolomucci - Director & IR	
Algebris Investments - 5.60%	Giulia Simone - CFO & Director	
Free Float - 10.75%		

Executive Summary

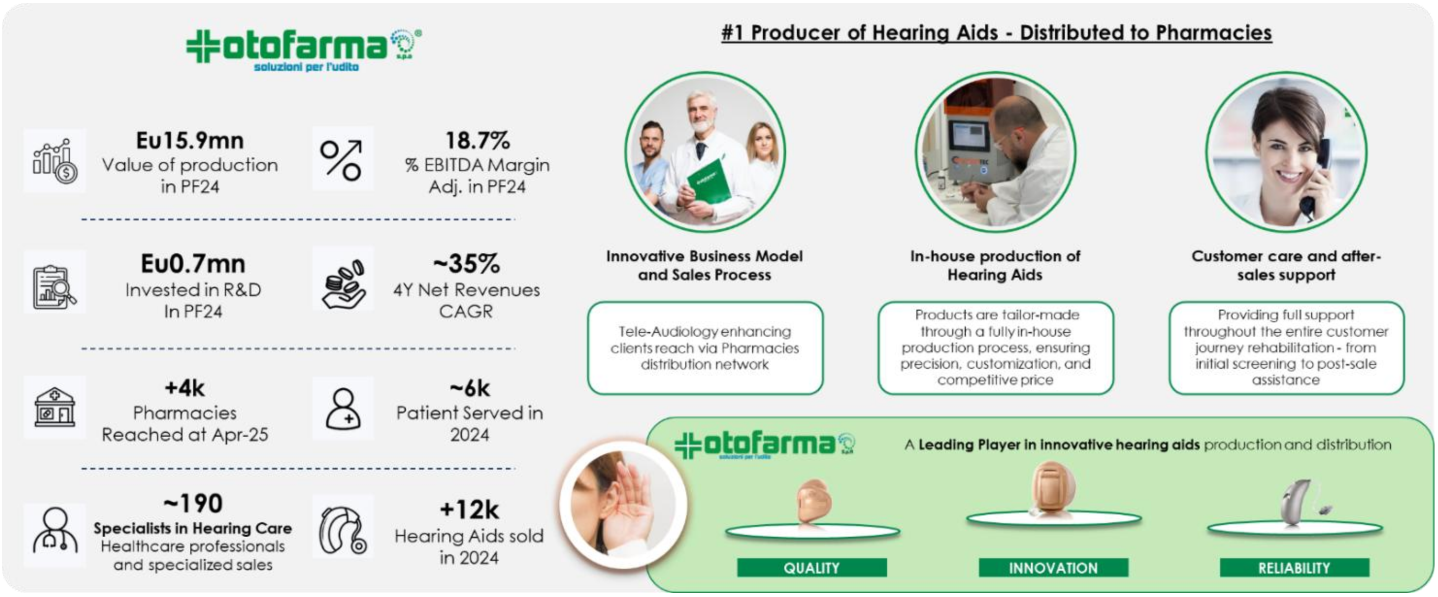
Otofarma has introduced an innovative model for hearing care in Italy, combining vertical integration with decentralised access through pharmacies to address an underpenetrated market, where only 30% of eligible individuals adopt hearing aids. Established as a pure contract manufacturer, the company has since evolved into a vertically integrated player that manages the entire patient journey, from initial screening to aftersales supports. This decentralised approach enables broad market reach with limited capital intensity thanks to partnerships with a network of +4k pharmacies. In FY24, the company supplied 12,000+ devices to c.6,000 patients, generating Eu15.1mn (+29% YoY) in revenues, with 87% of turnover derived from the pharmacy channel. Otofarma intends to double production capacity through a new hub in Milan, expand distribution via proprietary stores and optical centre partnership, and pursue selective M&A to accelerate scale and broaden the product portfolio. Backed by the IPO proceeds (Eu9.1mn net of costs), the group is now equipped with the financial firepower to fast-track its growth trajectory and strengthen its leadership in the Italian hearing-care market. We initiate coverage with BUY and TP of Eu8.0/share, implying >40% upside on the current share price.

Refining hearing care innovation

Originally focused on third-party manufacturing, Otofarma has evolved into a fully integrated hearing aids player, combining in-house production with decentralised diagnostics and sales. Founded in 2016, with industrial roots dating back to the 1990s, the company now controls the full care pathway, from pharmacy-based screening and remote diagnosis (tele-audiology) to bespoke fitting and aftercare. With operations concentrated exclusively in Italy, Otofarma delivers hearing care through a decentralised retail model in partnership with 4,000+ pharmacies (more than 1,800 active), enabling strong local presence without the need for direct store ownership and preserving an asset-light model. In FY24, Otofarma supplied over 12,000 hearing aids to c.6,000 patients, with 87% of revenues generated through its pharmacy network. The product portfolio covers both completely-in-canal (CIC) and behind-the-ear (BTE) models, all custom-fitted and sold at an entry-level price of Eu850. These medical-grade devices offer certified acoustic performance and connectivity features at a price point well below that of larger audiology players. A growing range of accessories, including wireless remotes and maintenance kits, complements the offer, supports long-term customer engagement and enhances up-selling initiatives. Led by CEO Giovanna Incarnato Bartolomucci (2nd generation entrepreneur), alongside CFO Giulia Simone and Head IR & Corporate Legal Affairs Anna Incarnato Bartolomucci, Otofarma blends executional discipline with deep experience in the sector, meeting patients' needs through advanced technology, accessibility and clinical rigour.

Bringing hearing aids into pharmacies

Otofarma is the #1 producer of hearing aids distributed in pharmacies, pioneering this green-field channel



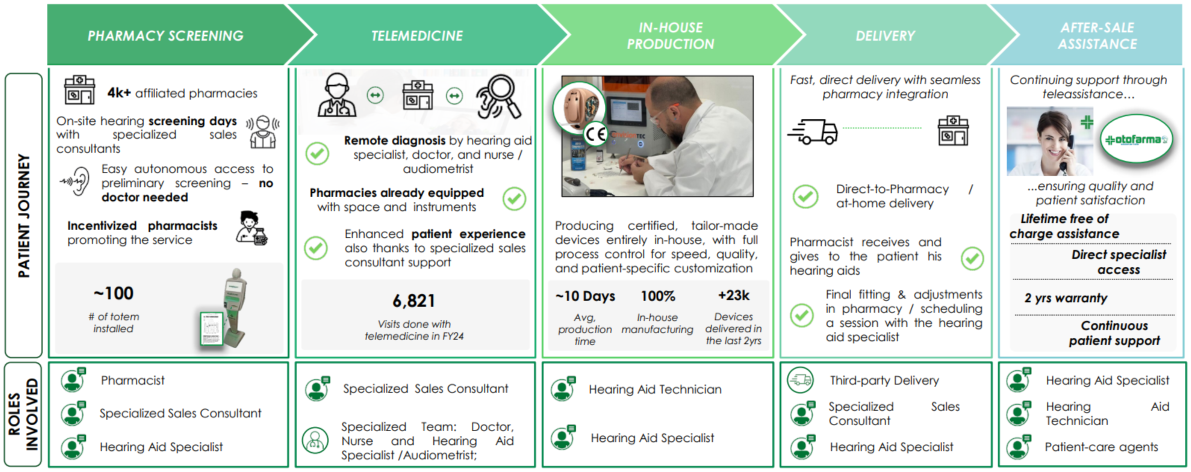
Source: Alantra elaboration on Analyst Presentation

Scalable, integrated model with high-margin potential

Otofarma has developed a differentiated, vertically integrated business model that combines clinical rigor, digital infrastructure, and decentralised distribution to deliver end-to-end hearing care. With a network of over 4,000 partner pharmacies, the group enables a seamless patient journey (from in-pharmacy screening to certified tele-diagnosis, custom in-house manufacturing, delivery, and lifetime aftercare) traditionally restricted to specialist clinics. With over 14,000 sessions completed since 2023 and FY24 conversion rates nearing 50%, tele-audiology is proving a key driver of both scalability and customer acquisition. Once diagnosed, hearing aids are tailor-made in-house using CAD-driven design and precision micro-fabrication, enabling some 10-day turnaround and full control over quality and cost. FY24 output reached 12,320 units (+13% YoY), with 100% customisation and a product mix tailored to both clinical and aesthetic needs. This vertical integration underpins Otofarma's lean cost base, enabling strong industrial margins despite competitive pricing (Eu1,160 average sell-in). The post-sale proposition further differentiates the group, through 24-month warranties, and structured remote rehabilitation plans. Notably, Otofarma maintains a low concentration risk across both pharmacies and sales reps, enhancing commercial resilience and scalability. Marketing is disciplined and pharmacy-focused (72% of spending), designed to activate the network and build grassroots trust. The model's decentalised nature lowers customer acquisition cost (CAC) and drives high customer engagement with minimal capital intensity. As network effects strengthen, we expect brand equity to convert into operating leverage and margin accretion.

Understanding the patient journey through a unique, fully integrated five-phase hearing care model

Otofarma's model blends proprietary R&D, vertical integration, and telemedicine to empower pharmacists and expand access to advanced hearing care



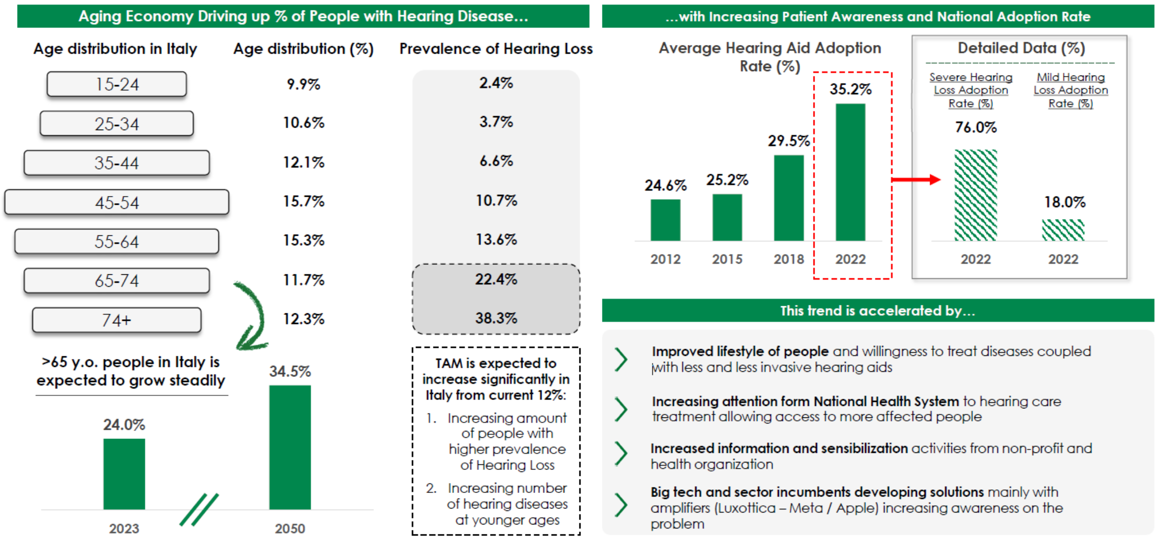
Source: Analyst presentation

Pharmacies accelerate structural market drivers

According to a study by AGCM (the Italian competition authority), the Italian hearing aid market is valued at Eu870mn in 2024 and is expected to continue growing, supported by several structural drivers: (1) population ageing, (2) low penetration rates, (3) rising awareness and earlier diagnosis, (4) the shift toward tele-audiology, and (5) improvements in SSN (National Health Service) support. The latter is expected to benefit from regulatory developments, as currently only 15-20% of the devices are through the SSN, primarily due to restrictive eligibility criteria and limited reimbursement levels (e.g. Eu650 per device), which have historically constrained access. These limitations are particularly significant in a market where approximately 7mn people suffer from hearing loss, but only 35% currently use hearing aids, this results in a significantly underpenetrated market, especially when compared to other major European countries. Rising awareness and earlier diagnosis have also accelerated in recent years, driven by technological advancements such as tele-audiology and the growing role of pharmacies and pharmacists as first-line health care providers. Otofarma, as a front-runner in leveraging Italy's extensive pharmacy network, is uniquely positioned to capture this untapped growth potential. By placing pharmacies at the centre of a more accessible, decentralised, and medically compliant distribution model, the company is unlocking a new paradigm in hearing care. Today, pharmacies account for only 6% of hearing aid sales, highlighting the significant room for expansion beyond the legacy model still dominated by specialised retail chains.

A market with structural tailwinds

According to a study by AGCM, the Italian hearing aid market is valued at Eu870mn in 2024 and is expected to continue growing, supported by several structural drivers



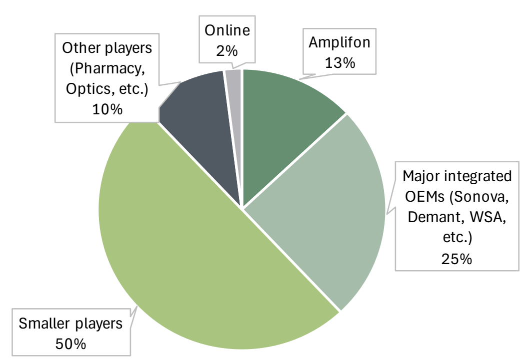
Source: Analyst presentation, Alantra

Unique positioning triggers market share gains

The competitive landscape in the hearing aid market is dominated by large vertically integrated players such as Sonova and Demant, which cover around 25% of the global hearing aid product market through full control of the value chain, from manufacturing to retail distribution. Alongside these players, the market includes independent retailers like Amplifon (13% market share, 40% in Italy) and smaller, pure manufacturers with limited or no retail operations (c.50% market share). Otofarma operates beyond the traditional distribution channel with a distinctive business model that combines advanced manufacturing capabilities, and an efficient distribution strategy based on a national pharmacy network. This approach, unique in the Italian market, results in a significantly lighter asset structure compared to large integrated players and independent retailers, while preserving full control over the value chain and enabling more flexible capital allocation toward marketing and service quality. In our view, while major players may access in advance to latest technologies, competition is increasingly defined by four key levers: quality of service, brand awareness, pricing, and distribution reach. Otofarma's first-mover advantage, its footprint of over 4,000 partner pharmacies, competitive pricing, full-service capabilities, and its "silent" salesforce of pharmacists, who extend its reach across the country, are key competitive strengths. This differentiated positioning is reflected in its attractive ROCE of 32.3% in FY24 vs 13.1% peer's average (5Y average).

Market positioning of global hearing aids players

Major large integrated OEMs dominate the market with 25% share.



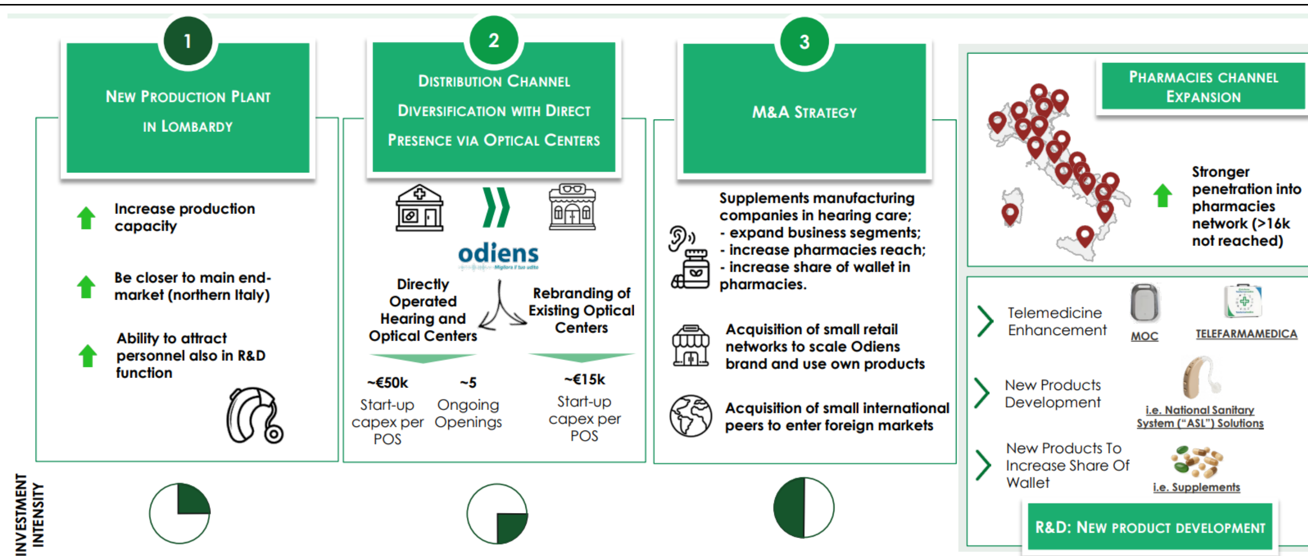
Source: Alantra elaborations on Amplifon and Aranca

Accelerating growth: innovation, distribution & M&A

Otofarma is well positioned to continue its growth trajectory, leveraging a unique multi-channel strategy in the Italian hearing-care market, which remains significantly under-penetrated. The group is expected to scale both organically and through M&A, capitalising on several growth levers: (1) expanding production capacity with a new hub in Milan; (2) strengthening its distribution network, both directly through proprietary stores and optical centers, and indirectly via affiliated pharmacies; and (3) pursuing acquisitions in manufacturing, retail, or small international brands to expand abroad. Additionally, the group is expected to maintain a strong focus on R&D and innovation, with ongoing investments in telemedicine solutions, new product development, and an expanded product portfolio (e.g., supplements), aiming to increase its share of wallet per customer. The construction of a production plant and a hub in Milan would increase production capabilities and improve overall operations and logistics, as 60% of total Otofarma hearing sales are in northern Italy. On top of that, the group is also considering expanding production capacity in Varcaturo through the enlargement of its current HQ. The IPO proceeds (Eu9.1mn net of costs) now provide a tangible accelerator for the group's growth path, supporting its strategy to consolidate a strong competitive positioning as a first mover in the pharmacy channel.

Three-pillar strategy: widening production capacity, distribution channel diversification, and exploring M&A opportunities

Clear multi-pronged strategy combining pharmacy penetration, optical retail, R&D innovation, and targeted M&A to fuel scalable growth



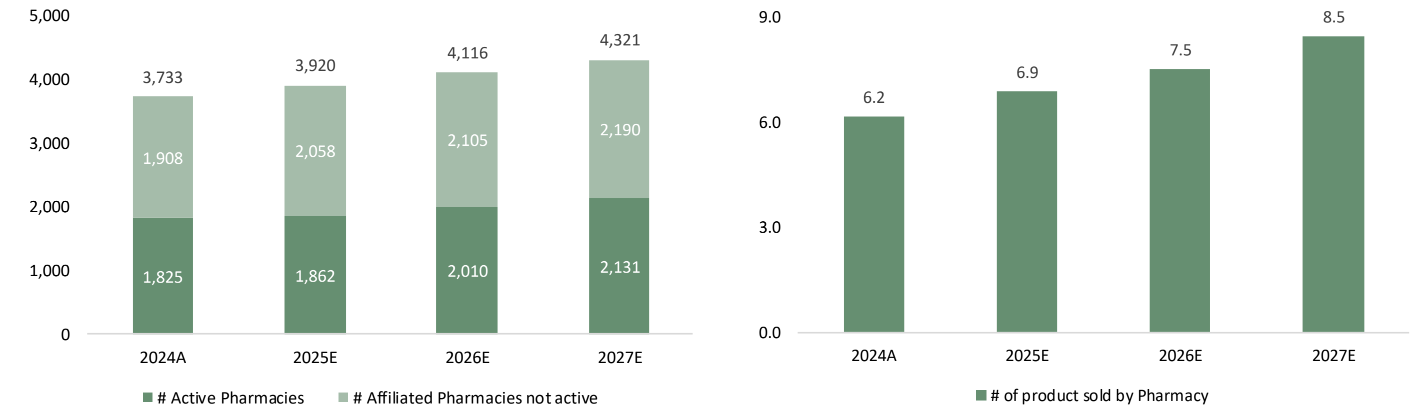
Source: Analyst presentation

Scaling revenues with expanding profitability

Following a strong FY24, with revenues of Eu15.1mn (+29% YoY), we expect Otofarma to enter a new phase of disciplined expansion. Over the FY24-27E period, we forecast sales CAGR of 18.9%, reaching Eu25.3mn by FY27E. Growth will be supported by the continued expansion of the pharmacy channel, increasing from Eu13.1mn to Eu22.2mn, driven by both a rising number of active pharmacies and higher units sold per location. In parallel, the steady rollout of direct stores (4 new openings per year) is expected to provide further growth. A favourable product mix, supported by ongoing innovation and higher penetration of premium models and upselling capabilities, are expected to provide further margins tailwind. We forecast adj. EBITDA to reach Eu5.4mn in FY27E from Eu3.0mn in FY24 (CAGR of 21.7%), with a margin of 19.9% from 18.8%. This is also driven by a better exploitation of the sales network, and the fulfilment of the Otofarma production capacity. Adj. EBIT, which reached Eu2.6mn/16.4% margin in FY24, is projected to grow to Eu4.7mn/17.3% in FY27E (21.4% CAGR), thanks to group's asset-light profile, despite considering capitalized IPO costs for Eu1.4mn during the period. Net financial charges and the tax rate are expected to remain broadly stable. Adj. Net income is set to rise from Eu1.4mn to Eu2.5mn, highlighting a compelling and scalable earnings trajectory.

Expanding pharmacy base with rising average productivity per location

Active pharmacies expected to grow from 1,825 to 2,131 by FY27E, with average units sold per pharmacy increasing from 6.2 to 8.5



Source: Alantra

Asset-light business model with high ROCE

Otofarma boasts an asset light business model, with working capital on sales weighing 18% in FY24. We expect this to gradually decrease to 14% in FY27E as exposure to SSN channel would decrease its sales contribution in favour to pharmacy segment with a shorter cash conversion cycle. This should benefit working capital dynamics, as well as stronger presence with direct shops, delivering an average WC/sales ratio of 15% on average FY25E-27E. Fixed assets are equally distributed among tangible (mainly plants and equipment) and intangible (mainly goodwill), representing c.20% of FY24 sales. We projected capex/sales of 6.4% on average FY25E-27E, reflecting mainly investments in maintenance and R&D. The group should generate a combined FCF of Eu2.2mn during the forecasted period, reaching a sound EBITDA conversion of 27% by 2027. This should further strengthen the NFP of the group from a net debt position of Eu0.2mn in FY24 to Eu11.2mn, also thanks to the net IPO proceeds in FY25E of Eu9.1mn. The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 30.5% on average in FY25-27E. We have not considered M&A transactions in our model, which could represent a solid upside potential.

2024-27E Net (debt) cash bridge

We believe that the EBITDA generated in the coming years, a good control of WC dynamics should generate strong FCF. This should further strengthen the NFP

Source: Alantra

Valuation: TP of Eu8.0/share

Since its listing on August 6, Otofarma's share price has risen 2%, underperforming the EGM Index (+5%). Our valuation approach combines both DCF (70% weight) and relative methods (30%). For the latter, we found limited availability of fully comparable companies; therefore, we identified two relevant peer clusters: (1) audiology service providers and hearing aid manufacturers, and (2) niche-focused healthcare players with exposure to the pharmacy channel. Otofarma outperforms its hearing aid peers in terms of growth while maintaining similar EBIT and net profit margins, supported by its vertical integration, low capital intensity, and first-mover advantage in the pharmacy channel. As such, we prefer to focus on EV/EBIT FY26E relative to peers. However, we consider the DCF model a more valuable approach, as it provides additional insight into Otofarma's strong long-term cash generation potential. Our 4-year DCF assumptions include a terminal growth rate of 1.5% and a WACC of 8.9%. The weighted average of these methods yields a TP of Eu8.0/share, implying over 40% upside from the current share price. BUY.

Valuation summary

The weighted average of our DCF (70%) and relative valuation (30%) methods yields a TP of Eu8.0/share.

Method	Equity Value		
	(Eu mn)	(Eu per share)	Weight (%)
4Y DCF, 8.9% WACC, 1.5% g	50.6	8.8	70%
EV/EBIT FY25E-26E of Hearing Aids Peers	35.7	6.2	30%
Weighted AVG	46.1	8.0	
N. of shares (mn)			5.757

Source: Alantra

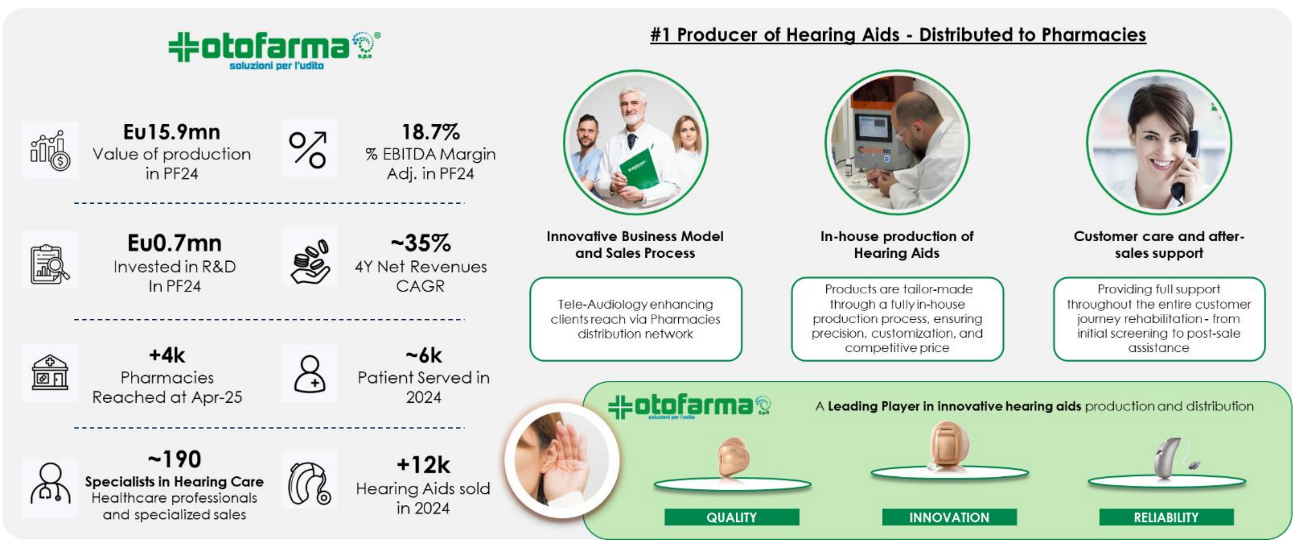
Main risks. We believe that the main risks related to Otofarma's business can be summarised in the following factors: 1) Large player entrance in the pharmacy channel, 2) Supplier base concentration, 3) Geographical concentration, 4) Dependency on few key people, 5) Execution risk on pharmacy activation, 6) Limited traction on direct channels, 7) Turnover and retention of independent sales force, 8) Regulatory framework, 9) M&A execution risk.

Refining hearing care innovation

Originally focused on third-party manufacturing, Otofarma has evolved into a fully integrated hearing aids player, combining in-house production with decentralised diagnostics and sales. Founded in 2016, with industrial roots dating back to the 1990s, the company now controls the full care pathway, from pharmacy-based screening and remote diagnosis (tele-audiology) to bespoke fitting and aftercare. With operations concentrated exclusively in Italy, Otofarma delivers hearing care through a decentralised retail model in partnership with 4,000+ pharmacies (more than 1,800 active), enabling strong local presence without the need for direct store ownership and preserving an asset-light model. In FY24, Otofarma supplied over 12,000 hearing aids to c.6,000 patients, with 87% of revenues generated through its pharmacy network. The product portfolio covers both completely-in-canal (CIC) and behind-the-ear (BTE) models, all custom-fitted and sold at an entry-level price of Eu850. These medical-grade devices offer certified acoustic performance and connectivity features at a price point well below that of larger audiology players. A growing range of accessories, including wireless remotes and maintenance kits, complements the offer, supports long-term customer engagement and enhances up-selling initiatives. Led by CEO Giovanna Incarnato Bartolomucci (2nd generation entrepreneur), alongside CFO Giulia Simone and Head IR & Corporate Legal Affairs Anna Incarnato Bartolomucci, Otofarma blends executional discipline with deep experience in the sector, meeting patients' needs through advanced technology, accessibility and clinical rigour.

Bringing hearing aids into pharmacies

Otofarma is the #1 producer of hearing aids distributed in pharmacies, pioneering this green-field channel



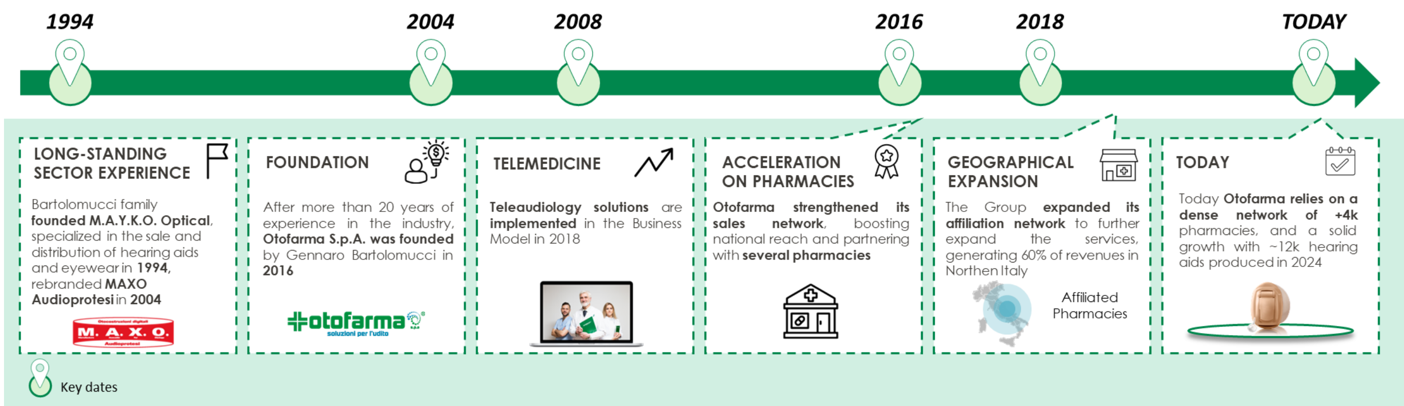
Source: Alantra elaboration on Analyst Presentation

A story worth hearing, from industrial craftsmanship to healthcare innovation

Otofarma's story is rooted in a long-standing industrial tradition in audiology, shaped by the entrepreneurial spirit of the Bartolomucci family. The group began its journey in 1994 by founding M.A.Y.K.O. Optical, initially focused on the manufacturing and distribution of hearing and optical devices. A decade later, the business evolved into M.A.X.O. Audioprotesi, concentrating exclusively on audiological care. The global financial crisis of 2007-2008 marked a turning point: faced with shrinking margins in contract manufacturing, the family opted for a strategic repositioning towards direct commercialisation and full control of the value chain. This shift was guided by a clear vision of how pharmacies were beginning to transform from simple retail outlets into decentralised healthcare hubs. Consequently, in 2016, Otofarma S.p.A. was officially established, consolidating all audiology-related operations within a single industrial platform. Two years later, the group began to benefit from the adoption of tele-audiology, positioning Otofarma as a first mover in this technology. Since then, Otofarma has scaled with discipline and a strong focus on the patient journey. Today, it stands among the operators active in the domestic market, with full end-to-end control over the hearing care value chain, operating at the intersection of public health relevance, industrial efficiency and regulatory compliance.

Key milestones in building a new standard for hearing care in Italy

From family legacy to over 4,000 affiliated pharmacies and more than 12k devices delivered in 2024



Source: Alantra elaboration on Analyst Presentation

Pharmacy-led distribution model as a unique and scalable growth driver

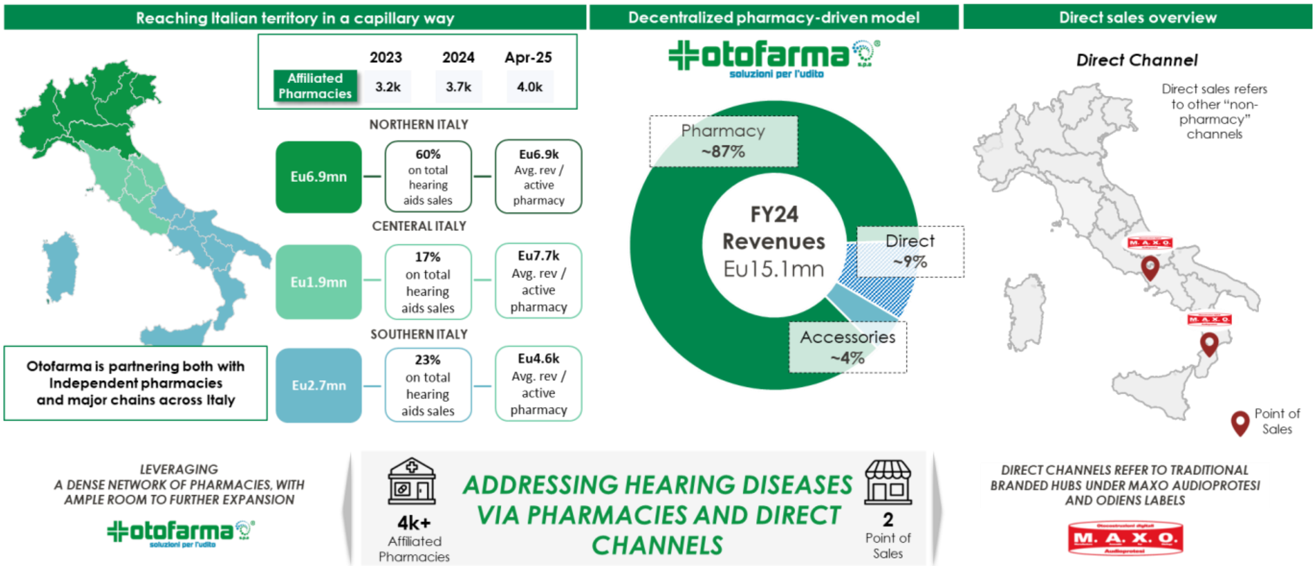
Otofarma has developed a distinctive revenue model centred on the integration of hearing care services within pharmacies, which account for 87% of sales. Leveraging a growing network of c.3,700 affiliated pharmacies as of FY24, up from 3,200 in FY23 and already reaching c.4,000 in April 25, the company provides localised access to care without the capital intensity associated with a traditional retail footprint. Affiliated pharmacies are those that have signed a collaboration agreement with Otofarma, while active pharmacies are those that have concluded a sales contract within the last year. Otofarma has developed a distinctive revenue model centred on the integration of hearing care services within pharmacies, which account for 87% of sales. Leveraging a growing network of c.3,700 affiliated pharmacies as of FY24, up from 3,200 in FY23 and already reaching c.4,000 in April 25, the company provides localised access to care without the capital intensity associated with a traditional retail footprint. Affiliated pharmacies are those that have signed a collaboration agreement with Otofarma, while active pharmacies are those that have concluded a sales contract within the last year. Pharmacists are incentivised through a commission-based remuneration scheme, which rewards them for each completed sale and fosters active engagement in patient screening and referral. By embedding tele-audiology solutions and screening protocols directly into the pharmacies, Otofarma ensures both scalability and accessibility. In FY24, the pharmacy channel alone generated Eu13.1mn in revenue, underpinned by a model that offers strong potential for geographic expansion, particularly in underserved areas or larger municipalities.

In addition to the pharmacy-led channel, Otofarma benefits from the strategic integration of its two directly operated subsidiaries under the name of MAXO Audioprotesi. MAXO, with 2 stores across Naples and Cosenza, operates as the group's southern audiology hub. These proprietary shops, which contribute c.9% of total revenues (o/w Eu0.3mn linked with SSN channel), serve dual purposes: acting as regional centres of excellence and providing a testing ground for broader commercial initiatives.

The pharmacy-led model has proven especially successful in Northern Italy, which generates 60% of hearing aid revenues, with an average revenue per active pharmacy of Eu6.9k. Central Italy contributes 17% of sales, with a higher per-pharmacy average of Eu7.7k, while Southern Italy accounts for 23% of hearing aid sales, but with a lower average of Eu4.6k per active location. This disparity largely reflects structural and behavioural differences in pharmacy operations. Pharmacies in the North tend to be managed with a more entrepreneurial approach, functioning not just as retail sellers but as decentralised healthcare hubs, while in other regions the adoption of service-oriented models like Otofarma's is still at an earlier stage.

Nationwide coverage through a pharmacy-first model

87% of revenues are generated through pharmacies, complemented by a targeted direct sales footprint



Source: Alantra elaboration on Analyst Presentation

Handcrafted products to solve patient needs

Otofarma's product offering is built around the development, manufacturing and delivery of CE-certified hearing aids designed to balance medical-grade performance, technological innovation and price accessibility. Otofarma hearing aids are recognised as Class 2A medical devices, requiring a medical prescription. Each device is composed combining micro-electromechanical systems, microphones, digital signal processors, and audiometric chips sourced from best-in-class international OEMs partners. The group secure raw materials from few global suppliers with the first accounting c.80% (i.e. Eu1.9mn) of the material costs. While this looks quite high, it reflects a market dominated by few players/suppliers, making this concentration structural.

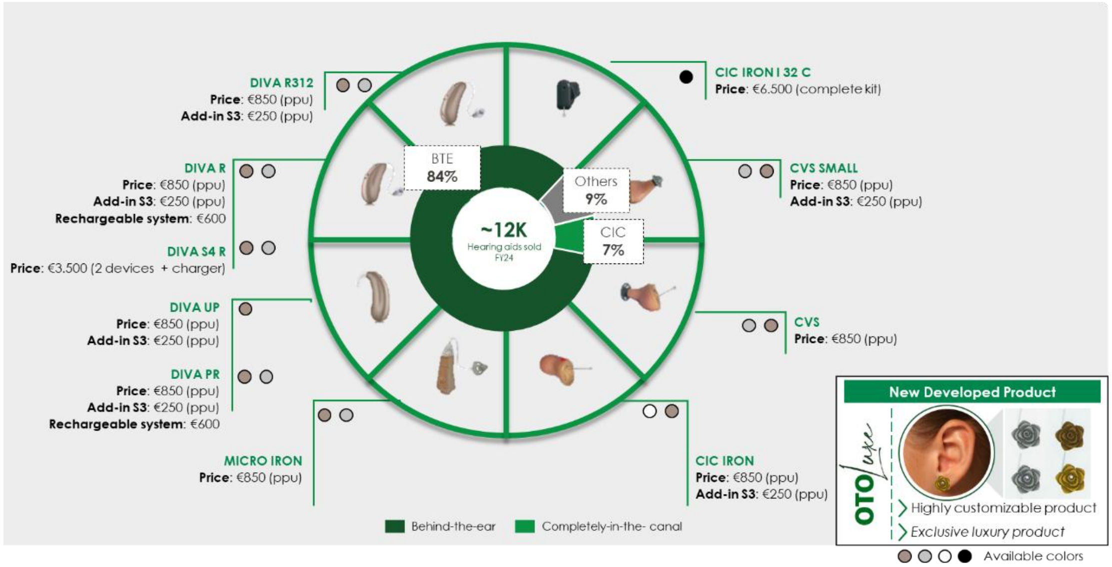
While the outer shell, forming 75% of the device volume, is standardised and fabricated in-house, the inner electronic configuration is fully customised for each patient. This configuration allows the company to achieve highly individualised acoustic performance without compromising on unit economics. Although all entry-level Otofarma hearing aids have a sell-out price of Eu850 (Eu650 sell-in), the average price per device reaches approximately Eu1,200, reflecting the uptake of higher-end models and commonly purchased accessories. In parallel, the company has also developed a high-end product in the form of a hearing-aid earring, combining medical functionality with discreet aesthetic appeal. This product will be sold at Eu5,000 and represents Otofarma's flagship offering in the premium segment and its R&D capabilities in advanced miniaturisation and product design.

Otofarma's accessories including chargers, connectors, and wireless microphones, providing an additional layer of customisation, are designed to be compatible with in-house manufactured hearing aids to further enhance patient experience and retention. The company currently manufactures two principal device families: CIC (Completely-in-Canal) and BTE (Behind-the-Ear), both produced in-house with modular components and tailored to patient-specific needs.

- Completely-in-Canal devices are Otofarma's most discreet hearing aids, designed for full insertion into the ear canal. They offer a near-invisible solution tailored for patients seeking maximum discretion and a natural listening experience.
- Behind-the-Ears range constitutes the most versatile line of hearing aids, addressing cases that require higher sound enhancement and extended usability. Externally worn and ergonomically designed, these devices are well suited to patients with more advanced hearing loss, requiring less maintenance.

Otofarma product mix and commercial traction

FY24 revenue split underscores the centrality of BTE models (84%) while CIC solutions (7%) remain a targeted niche



Source: Analyst Presentation

CIC (Completely-in-Canal)

CIC devices represent Otofarma's most discreet hearing solution, engineered to be positioned entirely within the ear canal. These models are particularly suited to patients prioritising cosmetic invisibility and acoustic naturalness, as the in-canal positioning leverages the auricle's anatomy to preserve spatial hearing cues and reduce wind noise exposure. Otofarma's CIC portfolio is optimised for patients with mild to moderately severe hearing loss (up to 75dB) and includes both battery-powered and rechargeable configurations.

All CIC shells are printed in-house using 3D micro-polymer technologies, following a digital scan or impression of the patient's ear canal. The internal architecture features micro-amplifiers, feedback management circuits, and Bluetooth-ready modules, depending on the selected model. Battery life ranges from 6 to 10 days, depending on the format, and all CIC devices comply with IP68 water and dust-resistance standards.

This family includes two product lines: Serie CIC and Serie Endo, each addressing different user profiles and ergonomic preferences:

- Serie CIC line is designed for near-invisibility and is marketed towards users who demand both functional reliability and cosmetic attention. This series combines directional microphones, dynamic range compression, and automatic program switching. Users benefit from simple smartphone pairing (in Bluetooth models). These devices are often preferred by younger or working-age patients due to their minimal visual impact and speech clarity performance in noisy environments.

- Serie Endo are in-the-ear devices tailored for patients who have anatomical or clinical constraints. Endo devices offer a slightly larger shell and a broader range of output, making them suitable for more advanced hearing loss profiles (up to 50dB). The shell is sculpted from an impression of the concha and external canal, allowing an internal fit that balances comfort and retention. These models provide extended autonomy and greater ease of manipulation, which makes them particularly attractive to elderly users or those requiring frequent insertion/removal. Several configurations include open-venting to reduce occlusion effects, enhancing user comfort in long-wear scenarios.

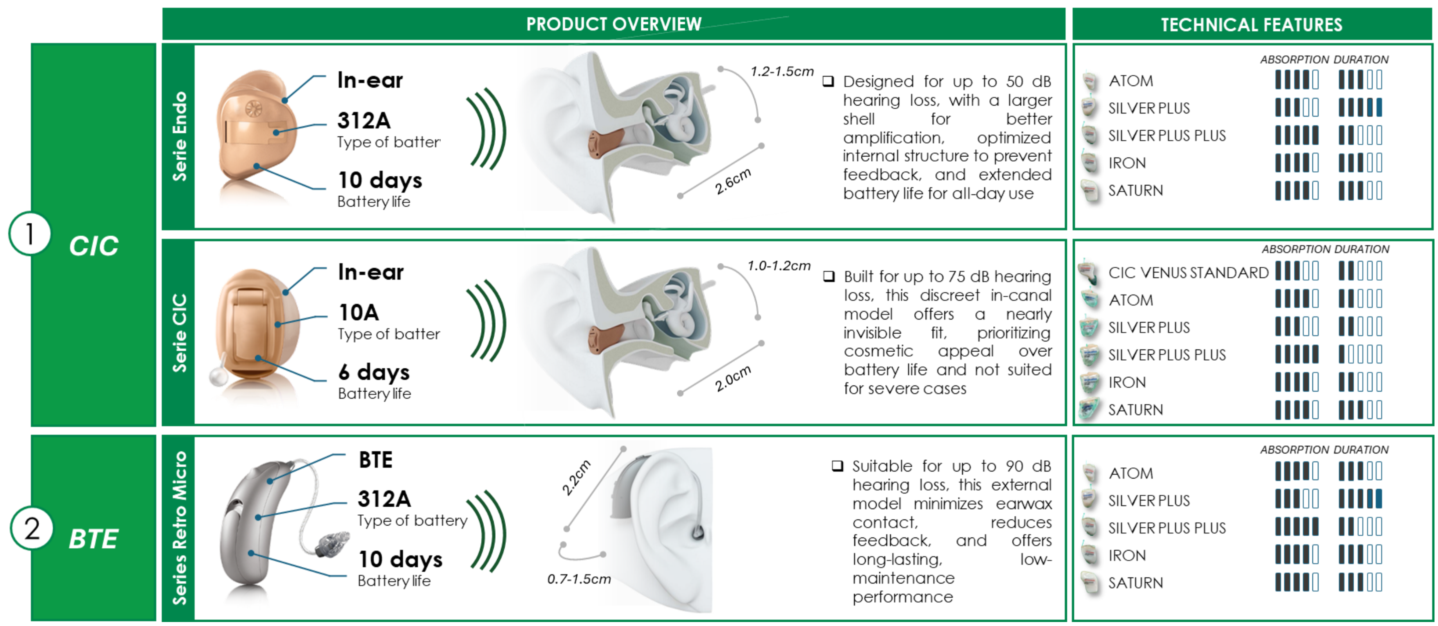
BTE (Behind-the-Ear)

Otofarma's BTE category encompasses a range of externally worn hearing aids, designed for patients requiring higher hearing improvement levels, longer autonomy or ease of daily handling. All BTE models rest behind the pinna and connect to the ear canal through a custom or a standard earpiece.

BTEs are suitable for moderate to severe hearing loss (up to 90dB) and are equipped with noise reduction AI, directional microphones and multiband equalisation for speech enhancement. Power is supplied by batteries or optional rechargeable modules, with autonomy of up to 10 days per charge cycle. Compared to CICs, BTEs offer superior durability, easier maintenance and greater suitability for paediatric and geriatric patients.

Tailored hearing solutions across shell design and performance range

Three designs, address up to 90dB hearing loss through differentiated form factors, battery formats and embedded feature set



Source: Analyst Presentation

Comprehensive warranty framework with S3-enabled benefits

Otofarma provides a structured post-sale support framework designed to ensure long-term reliability and customer satisfaction. All hearing aids are covered by a 24-month defect warranty, and patients benefit from lifetime assistance, including technical troubleshooting, remote calibration and continuous access to clinical consultation. In addition, selected models incorporate the proprietary S3 add-in system, an integrated feature set focused on safety, effectiveness and audiological performance. Under the S3 framework, Otofarma offers complimentary replacement of damaged outer shells within the first 24 months (add-in price of c.Eu200), extended access to tele-audiology services, and enhanced receiver specifications for improved sound quality. This bundled solution reinforces Otofarma's positioning as a full-service provider committed to clinical outcomes and represent a strong upselling driver.

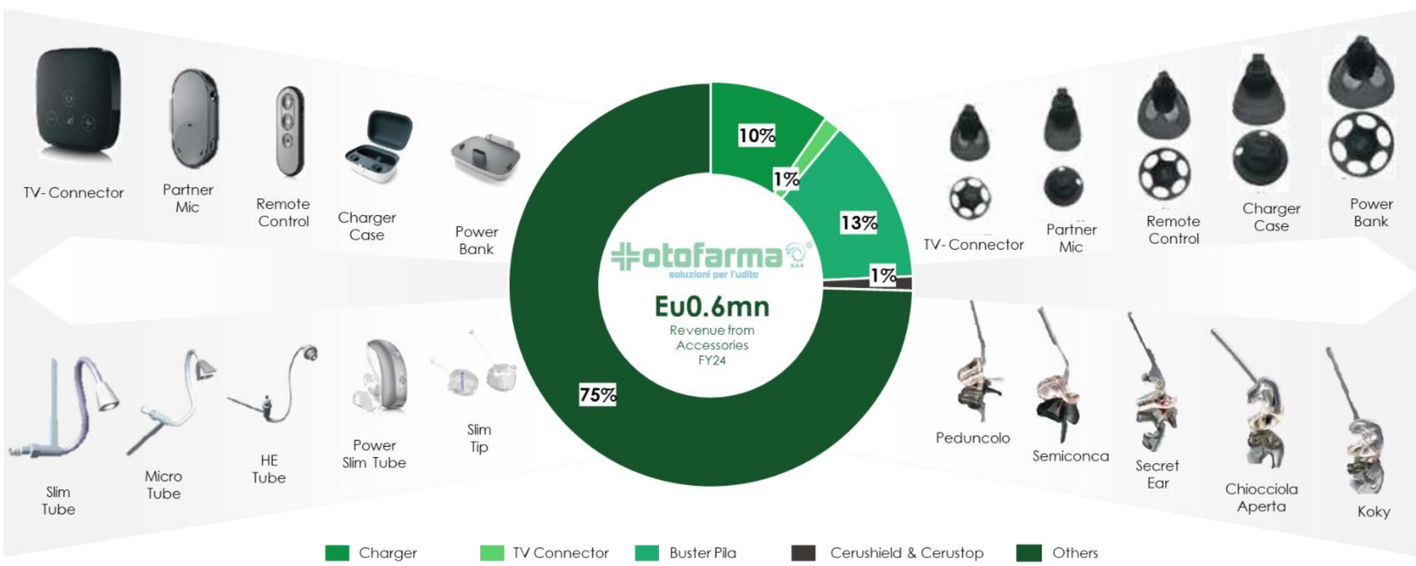
Accessories

In addition to its core portfolio of hearing aids, Otofarma offers a comprehensive range of certified accessories aimed at enhancing device performance, usability, and customer experience. These include remote controls, wireless microphones, charging systems, and a wide array of acoustic couplings. In FY24, accessories accounted for c.Eu0.6mn in revenues, representing an incremental yet strategically relevant stream in the company's value proposition. All accessories are CE-marked and developed in alignment with Otofarma's product requirements, ensuring full interoperability across its CIC and BTE ranges. The company also leverages accessories to strengthen customer retention and to expand its average revenue per customer,

especially via post-sale upselling. This accessory ecosystem complements Otofarma's broader strategy of offering a clinically integrated, lifetime hearing care solution and underscores its positioning as a full-service, medically compliant provider rather than a device-only operator.

Supporting the full hearing experience beyond the core device

A wide range of acoustic and connectivity tools designed to optimise long-term outcomes



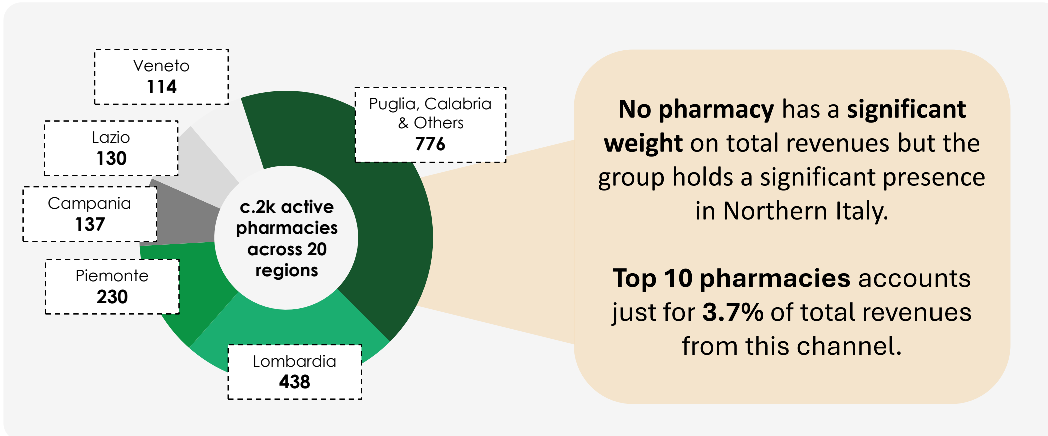
Source: Analyst Presentation

Highly fragmented revenue base underpinning structural scalability

One of Otofarma's key structural strengths lies in the remarkable fragmentation of its revenue base, which results in an exceptionally low degree of customer concentration. Within the pharmacy channel, revenues are divided across c.2,000 active pharmacies spread throughout all 20 Italian regions. No individual pharmacy accounts for more than 0.6% of total pharmacy-channel turnover, and the ten largest contribute just 3.7% (c.Eu500k), with the remaining 96.1% of revenues (or Eu13.1mn) coming from a long tail of smaller contributors. This capillary distribution not only mitigates exposure to any single partner or territory but also underscores the scalability of the model.

Highly diversified business with no dependency on single pharmacies

Top ten pharmacies account for a marginal 3.7% on channel's revenues, with c.96% of sales fragmented across the long tail

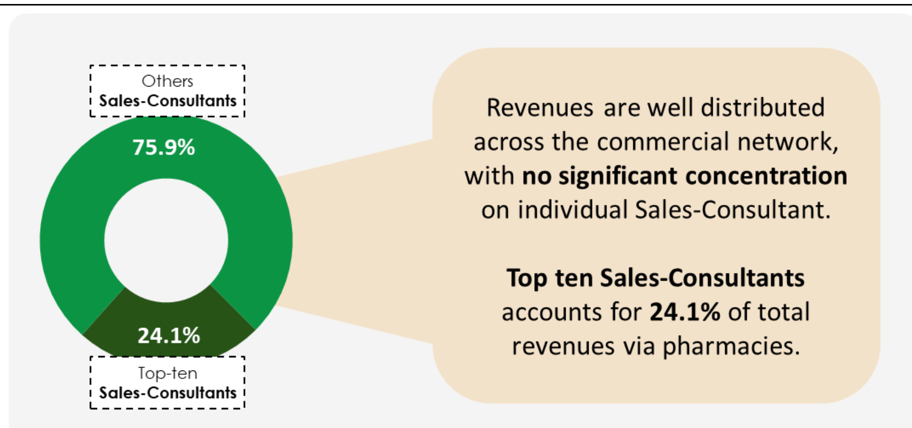


Source: Alantra elaboration on Analyst Presentation

The company's specialised sales consultants, who are professionals trained internally to manage hearing screening, are also widely distributed in terms of performance. In FY24, the 1st sales consultant generated 3.0% of pharmacy-channel revenues, and the top ten collectively account for just 24% of sales. The remaining 76% is generated by over 100 professionals. This granular structure enables resilience not only in terms of revenue continuity but also in its ability to scale through standardised, repeatable commercial protocols.

Decentralised salesforce unlocks operating efficiencies

No single salesperson exceeds 3.0% of revenues and 24.1% of pharmacy revenues are generated by the top ten consultants



Source: Alantra elaboration on Analyst Presentation

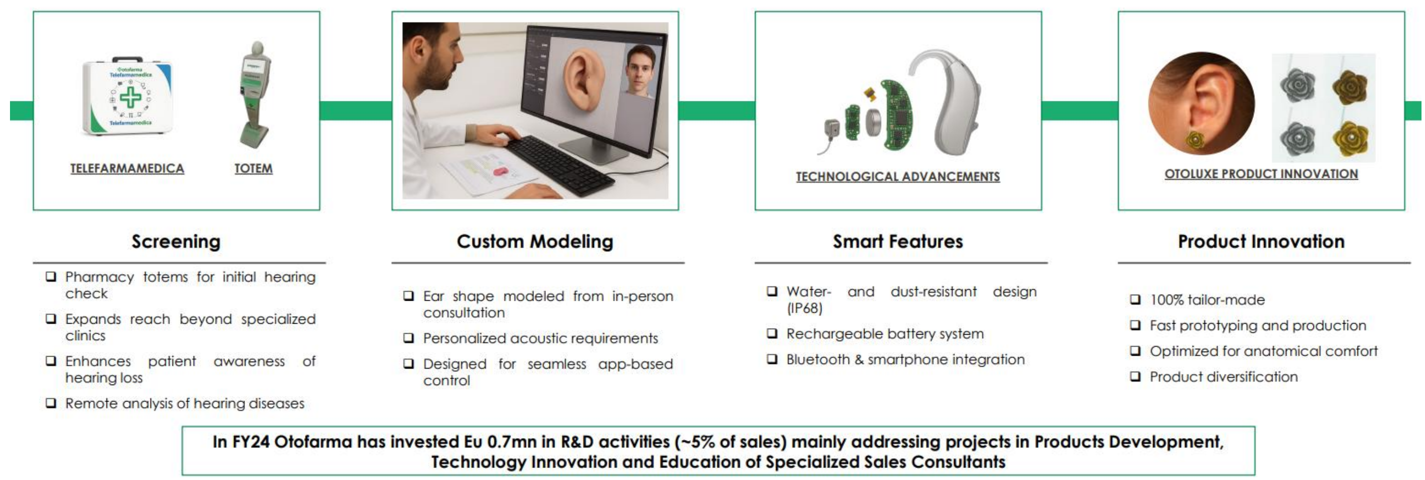
Innovation as core pillar for product development

Innovation plays a central role in how Otofarma delivers its hearing care solutions. The company combines proprietary technology, in-house manufacturing, and digital diagnostics to offer patients a fully personalised experience. In FY24, it allocated Eu0.7mn to R&D (c.5% of revenues), with a strong focus on improving its telemedicine offering. Key developments include 100+ patented screening totems, which enable on-site hearing screenings in pharmacies, and a tele-audiology used for remote diagnostic consultations.

All hearing aids are assembled internally, based on the individual's ear anatomy and hearing profile, using advanced 3D printing and custom configuration. Features such as IP68 water and dust resistance, Bluetooth integration, rechargeable batteries, and smartphone control reflect a clear commitment towards innovation. The customisation concerns the anatomical and chemical aspects of the shell, tailored to the individual's ear anatomy and hearing profile (hearing loss identified by the ENT specialist and audiology technician). The use of advanced 3D printing ensures precise shell customisation, while the conformity of the electronic component is verified using internal Electronic Ear device. This instrument issues a certificate of conformity, validating the customisation performed by Otofarma's laboratories.

An end-to-end innovation pathway focused on clinical quality and product differentiation

Combining telemedicine, precision manufacturing, and proprietary design to serve evolving patient needs



Source: Analyst Presentation

Governance and women-led top management team

Otofarma was founded by Mr. Gennaro Bartolomucci, who boasts over 50 years of experience in the hearing care industry. Today, the group is led by the CEO Giovanna Incarnato Bartolomucci, a second-generation entrepreneur who has played a pivotal role in shaping the group's decentralised distribution strategy. With a background rooted in economics and audiological services, Giovanna has overseen the company's expansion from a niche production base to a nationally scaled healthcare company. The CFO Giulia Simone brings a track record in financial planning and performance control within SMEs, ensuring fiscal discipline across the organisation. IR and legal affairs are handled by Anna Incarnato Bartolomucci, who combines prior experience in law firms with a strategic focus on market positioning and institutional engagement. The management team is characterised by a pragmatic approach and a lean governance model, enabling rapid execution while maintaining clinical integrity.

Family-led, professionally structured governance

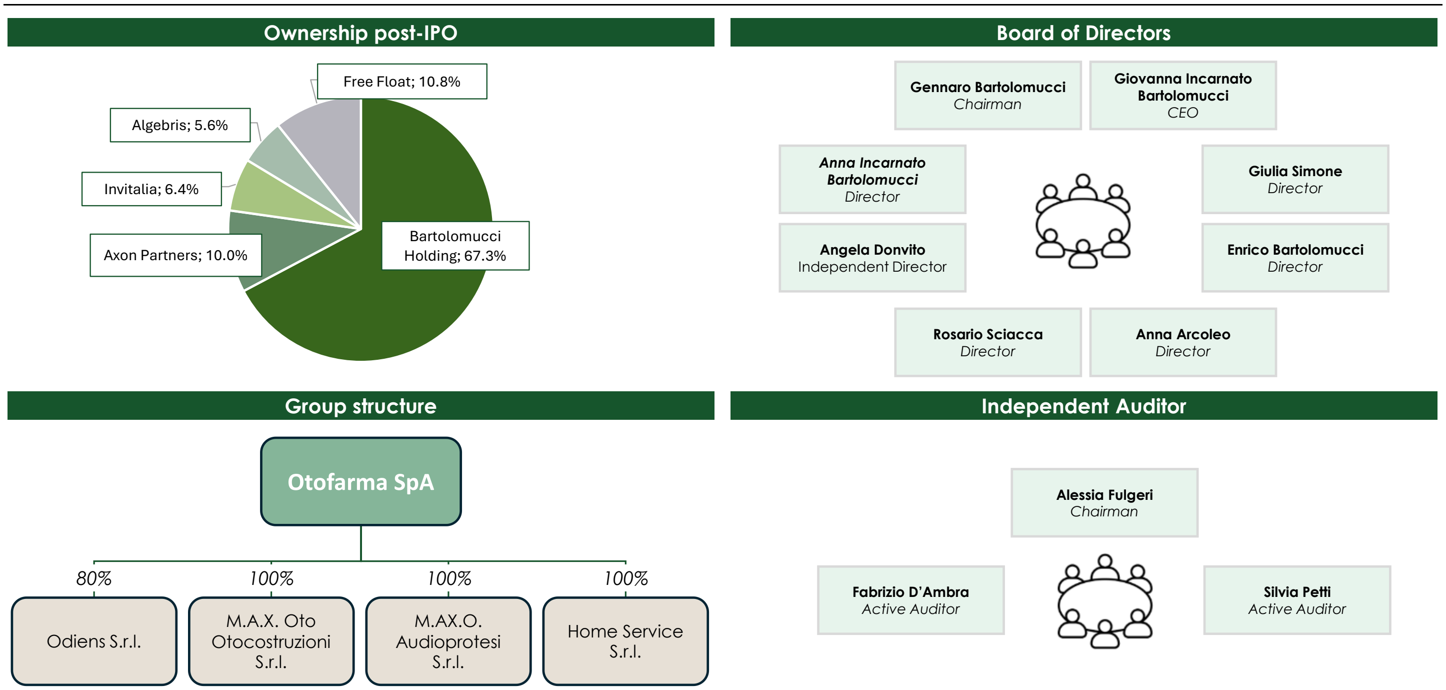
Second-generation entrepreneurs supported by corporate administration profiles to drive the growth

Source: Analyst Presentation

Otofarma is fully controlled by the founding Bartolomucci family through Bartolomucci Holding. The Board of Directors is composed by: Gennaro Bartolomucci - Chairman (50+ years of experience in the hearing care industry), Giovanna Incarnato Bartolomucci - CEO, Anna Incarnato Bartolomucci - Director, Giulia Simone - Director, Rosario Sciacca - Director and an Independent Director yet to be appointed.

Otofarma shareholders structure and Board of Directors

The group is fully owned by Oto Holding and governed by a family-led board.



Source: Alantra elaboration on Analyst Presentation

Scalable, integrated model with high-margin potential

Otofarma has developed a differentiated, vertically integrated business model that combines clinical rigor, digital infrastructure, and decentralised distribution to deliver end-to-end hearing care. With a network of over 4,000 partner pharmacies, the group enables a seamless patient journey (from in-pharmacy screening to certified tele-diagnosis, custom in-house manufacturing, delivery, and lifetime aftercare) traditionally restricted to specialist clinics. With over 14,000 sessions completed since 2023 and FY24 conversion rates nearing 50%, tele-audiology is proving a key driver of both scalability and customer acquisition. Once diagnosed, hearing aids are tailor-made in-house using CAD-driven design and precision micro-fabrication, enabling some 10-day turnaround and full control over quality and cost. FY24 output reached 12,320 units (+12% YoY), with 100% customisation and a product mix tailored to both clinical and aesthetic needs. This vertical integration underpins Otofarma's lean cost base, enabling strong industrial margins despite competitive pricing (Eu1,160 average sell-in). The post-sale proposition further differentiates the group, through 24-month warranties, and structured remote rehabilitation plans. Marketing is disciplined and pharmacy-focused (72% of spending), designed to activate the network and build grassroots trust. The model's decentalised nature lowers customer acquisition cost (CAC) and drives high customer engagement with minimal capital intensity.

Highly professionalised and vertically integrated model enabling end-to-end patient care

Otofarma has built a vertically integrated, medically certified model that blends clinical rigor with scalable distribution. At the core of this approach lies a highly professionalised ecosystem comprising: 1) specialised sales consultants, 2) medical professionals including doctors, nurses, and audiometrists, 3) hearing aid specialists, and 4) skilled technicians. This structure enables consistent end-to-end patient support, from initial screening and diagnosis to custom fitting and long-term rehabilitation.

- The process begins with Otofarma-trained specialised sales consultants, 131 as of FY24, who operate primarily across the group's partner pharmacy network. Acting as the first point of contact, they are responsible for **lead generation and preliminary hearing assessments**, as well as for initiating virtual consultations with Otofarma's clinical team. By embedding screening capabilities directly within pharmacies, this model lowers the threshold for early diagnosis and effectively bypasses the structural bottlenecks of traditional clinic-based pathways.

- Following the initial assessment, **patients are referred remotely to one of Otofarma's 20 in-house medical professionals**, comprising doctors, nurses, and audiometrists, who conduct a full diagnostic evaluation via telemedicine. The process, conducted in the pharmacy, includes video-otoscopy and audiometric testing, culminating in a certified diagnosis fully compliant with EU medical device regulations. This integration of tele-audiology enhances the patient experience while also improving operational efficiency, enabling faster throughput and contributing to platform scalability.

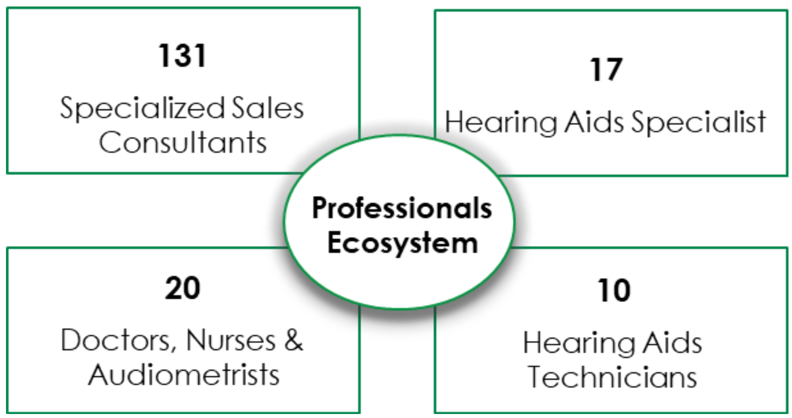
- Once a hearing aid is prescribed, responsibility shifts to Otofarma's **17 hearing aid specialists and 10 technicians, who translate clinical insights into bespoke devices** through a fully in-house manufacturing process. Each product is delivered within approximately 10 days, ensuring anatomical fit, acoustic precision, and user comfort. Importantly, the same professionals remain involved post-delivery, overseeing final fitting, remote calibration, and lifetime teleassistance, an approach that reinforces brand loyalty and strengthens long-term customer engagement.

This structured pathway enables Otofarma to maintain full quality control across both clinical and operational touchpoints, ensuring consistency in medical outcomes while supporting scalable execution. The model combines decentalised access, via trusted local pharmacies, with centralised clinical oversight and digital infrastructure, effectively transforming pharmacies into accessible hearing care hubs. This, in a market still dominated by retail-led models, offers a distinct alternative. Critically, the hearing aids are fully compliant with MDR 2017/745 for Class 2A medical devices, reinforcing Otofarma's positioning as a medically credible, tech-enabled operator within the audiology space.

The ability to deliver high-quality, medically certified hearing solutions through a decentalised yet controlled distribution channel forms a defensible competitive moat as the group scales its presence across Italy.

An ecosystem of specialised sales and doctors

An ecosystem of 1) specialised sales consultants, 2) medical staff, 3) hearing aid specialists, and 4) skilled technicians



Source: Analyst presentation

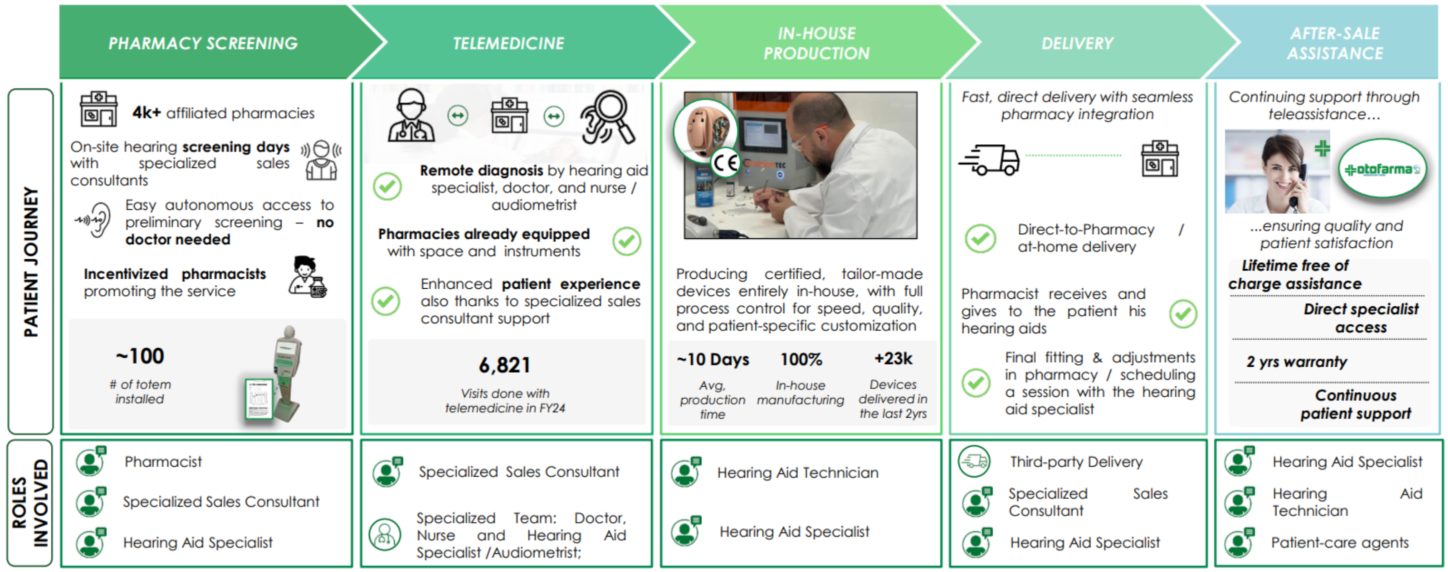
A comprehensive, scalable patient journey enabled by pharmacies

Otofarma's model effectively repositions the pharmacy as a frontline clinical care hub, enabling a seamless, scalable patient journey typically confined to specialist clinics. The pathway begins with in-pharmacy screenings, either autonomously via digital totems or conducted by Otofarma-certified consultants. Patients presenting signs of hearing impairment are channeled into the group's telemedicine protocol, where in-house medical professionals carry out remote diagnostics in compliance with MDR 2017/745 for Class 2A medical devices. Once diagnosed, hearing aids are custom-built in-house with an average turnaround of some 10 days, then delivered to the pharmacy or patient home.

Post-sale, Otofarma differentiates through lifetime teleassistance and integrated rehabilitation support, reinforcing long-term engagement and brand loyalty. This fully managed, high-touch model ensures clinical integrity, customer convenience, and capital efficiency, positioning the group as a high-margin, tech-enabled player in a fragmented, clinic-driven market.

Understanding the patient journey through a unique, fully integrated five-phase hearing care model

Otofarma's model blends proprietary R&D, vertical integration, and telemedicine to empower pharmacists and expand access to advanced hearing care



Source: Analyst presentation

1#5 Pharmacies as the frontline for hearing health screening

Otofarma's pharmacy-based screening program is a foundational element of its patient-centric model, enabling early detection of hearing impairments through a highly accessible, decentralised front-line care infrastructure. By embedding preventive audiological screening directly within a network of over 4,000 partner pharmacies, an environment trusted especially by older adults, the group has created a repeatable and scalable entry point into the hearing care pathway.

Screenings are offered through two complementary formats: 1) dedicated 'Screening Days' held once per month in each active pharmacy, and 2) on-demand access via Otofarma's proprietary *Screening Totem*, installed in some 100 pharmacies to date. Where totems are not available, Otofarma-certified sales consultants perform manual pre-tests using standardised screening tools provided by the company. In both scenarios, a positive result or patient interest triggers immediate referral to the group's tele-audiology hub, ensuring a seamless transition from screening to clinical diagnosis.

The *Preliminary AudioTest*, conducted via automated audiometry across four frequencies (500, 1000, 2000, 4000 Hz), enables quick and clinically relevant stratification into normal, mild, or severe hearing loss categories, each mapped to defined follow-up protocols. This phase serves not just as a screening tool, but as the gateway into a broader vertically integrated pathway encompassing remote evaluation, in-house production, device delivery, and lifetime aftercare.

The model offers clear strategic benefits: it lowers the barrier to access for underserved customer segments, enhances the role of pharmacies as proximity health providers, and creates a high-conversion funnel for Otofarma's end-to-end hearing care platform. With 6.8k tele-audiology visits recorded in FY24 and uptake accelerating, the group's decentralised screening architecture is proving both clinically effective and commercially scalable, positioning Otofarma to capture incremental share in Italy's still underpenetrated hearing aids market.

2#5 Tele-audiology: remote diagnosis driving scalability and customer conversion

Otofarma's telemedicine infrastructure, centered around its proprietary tele-audiology hub, is a core enabler of the group's decentralised care model, allowing for clinically certified remote diagnosis across geographical, regulatory, and operational boundaries. Once a preliminary pharmacy screening indicates potential hearing impairment, the specialised sales consultant initiates a direct connection to the group's remote care system, triggering a seamless and medically compliant diagnostic workflow.

The assessment is conducted entirely online by a multidisciplinary team comprising doctors, audiometrists, nurses, and hearing aid specialists. Each session follows established ministerial protocols and includes:

- Video-otoscopy, for visual examination of the ear canal.
- Audiometric testing, to evaluate hearing thresholds across key frequencies.
- Measurement of auricular anatomy, to inform device fitting and comfort.
- Certified diagnosis, in full compliance with EU MDR 2017/745 standards.

Following certified diagnosis, a hearing aid specialist determines the most suitable custom-made device based on the patient's audiometric profile. All clinical data are then securely transmitted to Otofarma's in-house laboratory, triggering the manufacturing process. Strategically, the tele-audiology infrastructure enables:

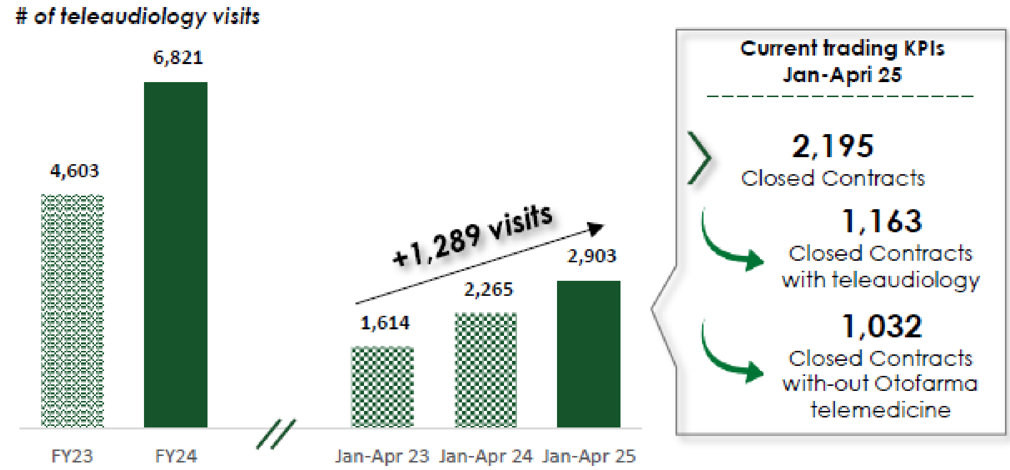
- Scalability: bypasses the need for physical audiology centers, enabling national coverage without fixed infrastructure.
- Reduced time-to-treatment: streamlines the diagnostic and prescription process, accelerating patient onboarding.
- Lower customer acquisition cost (CAC): leverages existing pharmacy infrastructure to reach patients efficiently.
- High conversion rates: approximately 50% of diagnosed patients proceed to purchase, validating the effectiveness of the model.

Since 2023, Otofarma has completed over 14,000 tele-audiology sessions, including 6.8k in FY24 alone, demonstrating strong and growing engagement across its pharmacy network. As of April 2025, data underline the model's commercial relevance, with 1,163 contracts closed via telemedicine, exceeding the 1,032 completed without it. Otofarma hearing aids are recognised as Class 2A medical devices, which require a medical prescription.

The tele-audiology platform is fully compliant with GDPR and MDR 2017/745, operating within a supportive regulatory framework that recognises pharmacies as certified medical service points. With pharmacy telemedicine penetration in Italy rising from <10% pre-2020 to over 60% by 2023, Otofarma is well positioned to scale in one of telemedicine's fastest-growing verticals. Structural tailwinds such as ageing demographics, rising awareness, and advancing technology, further reinforce its long-term opportunity in remote hearing care.

Evolution of tele-audiology visits

Tele-audiology drives growth: rising visits support contract conversion, now exceeding 50% of total closures



Source: Analyst presentation

3#5 In-house production: fast, certified, and tailor-made at scale

Otofarma's fully integrated in-house manufacturing capability is a core pillar of its vertically integrated model, enabling tight control over quality, lead times, and product customisation. In contrast to competitors that rely on standardised devices or third-party production, Otofarma designs, engineers, and produces all hearing aids internally, delivering medically certified, tailor-made solutions optimised for comfort and acoustic precision.

The process begins with anatomical and audiometric data collection during the tele-audiology consultation, where clinicians capture the patient's ear canal morphology and define the technical parameters required for patient needs and personalisation. This data is then transmitted to Otofarma's in-house laboratory, where a specialised team of technicians and engineers manages the full production cycle in a digitally integrated setting. Manufacturing is structured into three core phases:

- Engineering and design: Advanced CAD tools are employed to develop a custom outer shell tailored to the patient's anatomical and acoustic profile, optimised for both fit and sound isolation.
- Production: High-resolution micro-fabrication techniques are used to manufacture the shell, enabling a discreet design with precise ergonomic adaptation to the ear canal.
- Assembly and configuration: Internal components, including circuit boards and microphones, are integrated into the custom shell. Each device undergoes final testing and quality certification and is issued with Otofarma's proprietary *Orecchio Elettronico* (Electronic Ear) certificate of conformity, ensuring adherence to safety, comfort, and performance standards.

This vertically integrated model delivers clear operational and economic advantages:

- Speed: average production time stands at ~10 days, enabling rapid delivery and enhancing patient satisfaction.
- Scalability: Otofarma produced 12,320 hearing aids in FY24, up from 10,974 in FY23, demonstrating the platform's ability to scale with demand.
- Mass customisation: approximately 100% of devices are tailor-made, ensuring alignment with each patient's anatomical and clinical profile.
- Cost efficiency: full internalisation of the production process eliminates external supplier margins and supports pricing flexibility, underpinning the group's value-for-money positioning.

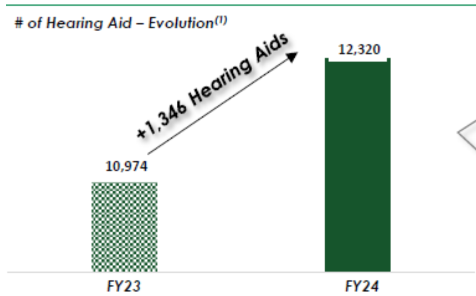
The product mix highlights both technical breadth and the ability to address diverse patient needs:

- **DIVA line,** accounting for 80% of volumes, this range offers high adaptability and rechargeability, serving the broadest customer base.
- **CIC models**, representing 7% of production, these discreet, completely-in-the-canal devices cater to users prioritising aesthetics and minimal visibility.
- **Retro Micro and other formats**, cover niche clinical or ergonomic requirements, ensuring comprehensive coverage across patient profiles.

The model illustrates how clinical rigor, technological sophistication, and manufacturing efficiency can be integrated within a single platform to scale personalised medical solutions. As demand grows and telemedicine adoption accelerates, Otofarma's in-house production infrastructure offers both the flexibility and capacity to support continued expansion, while maintaining full control over quality, lead times, and regulatory compliance in line with EU medical device standards.

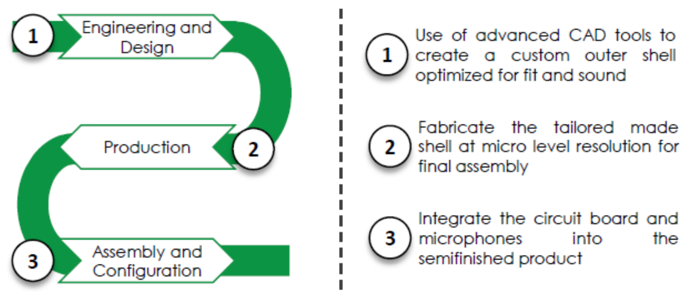
Hearing aid production continues to grow steadily, driven by an engineered manufacturing process

Production growth reflects operational excellence: +1,346 devices YoY, 100% in-house with CAD-driven customisation and fast assembly



# of Hearing Aid by type		
DIVA	9,831	80%
CIC	861	7%
Retro Micro	542	4%
Others	1,086	9%
TOTAL	12,320	100%

# of Accessories - FY 24		
Accessories	15,687	-



Source: Analyst presentation

4/5#5 From delivery to after-sales: establishing enduring trust with patients

Otofarma's delivery and after-sales infrastructure is designed to ensure continuity of care and sustain customer engagement throughout the full life cycle of its medical devices. Once a custom hearing aid is produced in-house, fulfilment is managed via a dual-channel system, either direct-to-pharmacy or home delivery, offering flexibility and rapid access to treatment. This approach enhances patient convenience while reinforcing the pharmacist's role as a local, trusted healthcare facilitator.

Following delivery, the group activates the second core pillar of its service model: a fully integrated, personalised after-sales program. The journey begins with a remote onboarding session led by a hearing aid specialist, focused on educating the patient, optimising device settings, and initiating a structured rehabilitation plan tailored to individual clinical needs and lifestyle factors. Several features underpin Otofarma's differentiated post-sale proposition:

- **Lifetime support:** Otofarma provides complimentary assistance throughout the full lifecycle of the device, including technical troubleshooting, performance optimisation, and remote adjustments.
- **Warranty coverage:** each device includes a 24-month defect warranty, underscoring the group's commitment to product quality and reliability.
- **Ongoing care:** patients benefit from post-delivery consultations, with personalised follow-up plans that may include performance tracking, tailored usage reminders, and specialist interventions to ensure continued alignment with clinical needs.

This post-sale ecosystem is particularly valuable in hearing rehabilitation, where ongoing device calibration and sustained customer engagement are essential to achieving optimal clinical outcomes. The delivery and assistance model also supports Otofarma's broader strategic objective of positioning pharmacies as accessible, patient-centric hubs for hearing care, leveraging their local presence and high frequency of patient interaction.

In addition, the group's high-touch customer service infrastructure enhances customer retention and strengthens brand advocacy, differentiating Otofarma from retail-focused competitors offering standardized or commoditised solutions. Given that hearing aids typically have a lifespan of 3-5 years and require periodic maintenance or replacement, maintaining an active post-purchase relationship increases the likelihood of repeat business and drives long-term customer lifetime value.

A shared-value model for patients, pharmacists, and Otofarma

Otofarma's model offers a differentiated value proposition by aligning the interests of patients, pharmacists, and the group. The combination of custom audiological solutions, proximity-based service via pharmacies, and a streamlined distribution framework enables accessible pricing without compromising margins or clinical quality.

For Otofarma, full in-house control over R&D, manufacturing, and telemedicine supports a lean cost structure. With an average sell-in price of Eu1,160 per hearing aid, the group maintains strong industrial economics, reflected in its 18.8% FY24 EBITDA margin, while pricing well below traditional networks, where multi-tiered distribution often pushes prices above Eu2,000 per device.

For pharmacists, the model represents a compelling, low-risk revenue stream. Each device sale generates an average of some 30% margin, without requiring inventory management or working capital. Otofarma invoices pharmacies directly, rebating them a fee (starting from Eu250) for physical space, screening activities, and coordination, thereby driving incremental revenues and reinforcing their role as trusted healthcare providers. This creates both economic upside and strategic relevance at the local level, since pharmacies benefit not only economically, but strategically:

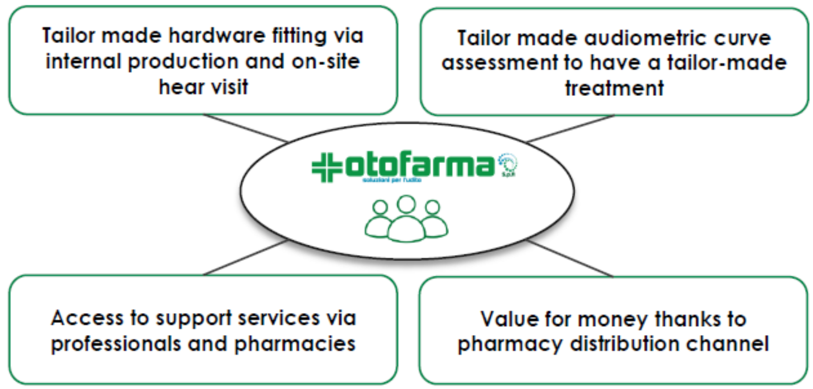
- **Expanded clinical role**: participation in telemedicine and screening initiatives enhances the pharmacy's positioning as a proactive player in preventive healthcare.
- **Professional recognition:** collaboration with Otofarma's medical team and use of certified protocols elevates the pharmacist's status within the customer care continuum.
- **Commercial uplift:** increased patient footfall driven by hearing care services creates cross-selling opportunities across broader health and wellness categories.

For patients, the model is designed to maximise accessibility, clinical quality, and continuity of care. Devices are medically certified, custom-fitted, and offered at a retail entry price point of approximately Eu850, substantially below the levels typically charged by traditional specialist centers. Combined with lifelong aftercare, teleconsultations, and in-pharmacy support, patients benefit from a comprehensive medical service at a fraction of the industry's standard cost.

Crucially, Otofarma's model eliminates the traditional trade-off between access and clinical rigor. By leveraging a decentralised, tech-enabled care infrastructure, the group is able to democratise high-quality hearing care without compromising on product performance or service standards. The result is a scalable, capital-efficient business model with strong alignment across stakeholders.

An approach built around patient needs to gain competitive advantage

Otofarma offers personalised hearing care, combining clinical precision, pharmacy access, and strong value-for-money



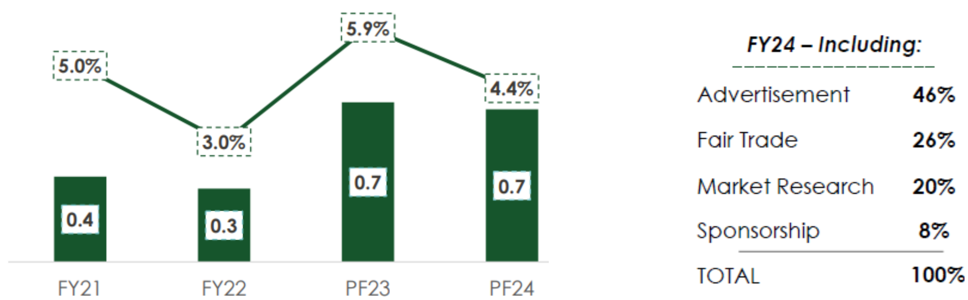
Source: Analyst presentation

Pharmacy-led marketing flywheel unlocking scalable brand equity

Otofarma's marketing strategy is tailored to support its distinct B2B2C model, positioning the group as a strategic partner to pharmacies rather than a conventional retail operator. In FY24, marketing spends totaled Eu0.7mn, equivalent to 4.4% of revenues, and was allocated predominantly to pharmacy-facing initiatives (72%), with the remainder directed at end-user awareness (28%). This spending profile reflects a deliberate focus on pharmacy activation through trade fairs (e.g. COSMOFARMA), point-of-sale materials, and recurring in-pharmacy screening campaigns. These initiatives are designed to strengthen engagement with pharmacists, reinforce their role in hearing care, and unlock latent demand within the community, particularly among ageing populations.

Balanced marketing spends driving visibility, network activation and operational scalability

FY24 spend remains disciplined at 4.4% of sales, with 72% allocated to pharmacy-focused brand initiatives



Source: Analyst presentation; Note: calculations are made on Otofarma's sales

In contrast to industry incumbents reliant on high-CAC, brand-led retail formats, Otofarma's model harnesses the proximity, trust, and clinical positioning of pharmacies to deliver hearing care as a service. This approach enables the group to scale awareness and distribution with limited capital intensity. Pharmacists are incentivised to promote screening and post-sale support without managing inventory or bearing fixed costs, reinforcing their healthcare role and driving incremental footfall.

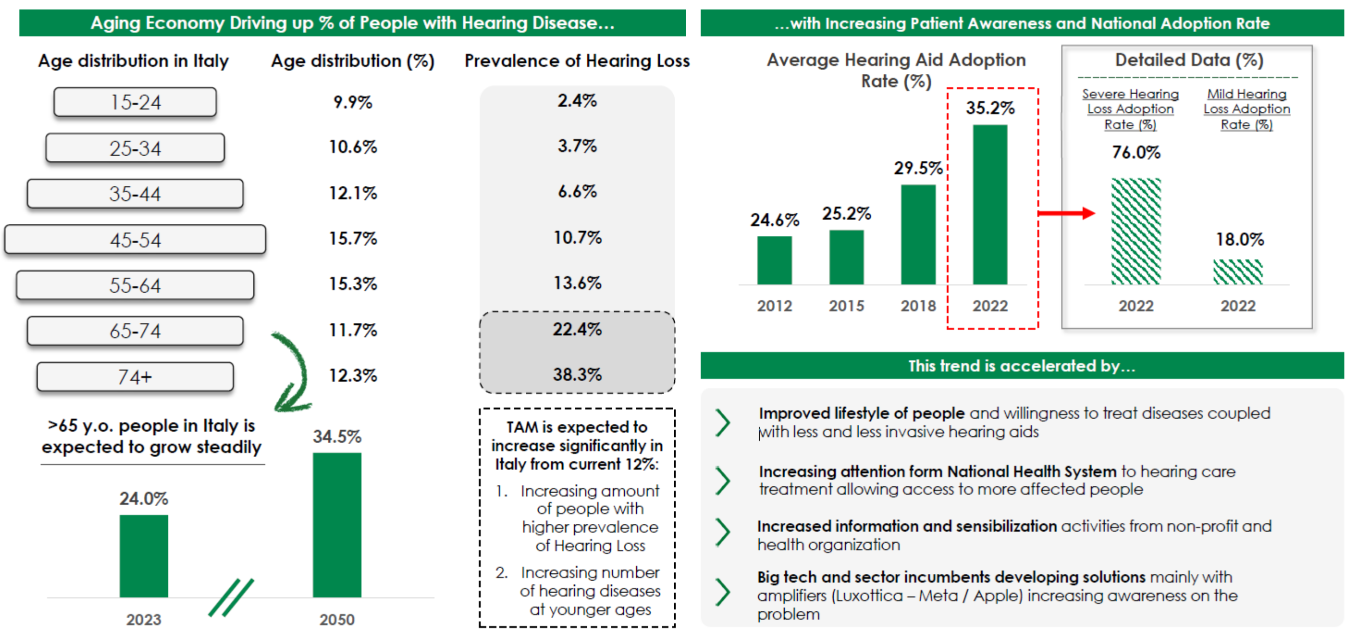
The group complements its pharmacy-led activation with selective digital marketing and educational initiatives, maintaining brand visibility among end-users while preserving cost discipline. With expansion underway into underpenetrated regions and new PoS rollouts, there is clear headroom to scale these efforts further. We view this pharmacy-first marketing architecture as a strategic advantage. It facilitates trust-based patient acquisition, embeds Otofarma within the local healthcare infrastructure, and creates a reinforcing cycle between brand strength and commercial performance. As volumes grow and network effects deepen, we expect meaningful operating leverage and sustained margin uplift.

Pharmacies accelerate structural market drivers

According to a study by AGCM (the Italian competition authority), the Italian hearing aid market is valued at Eu870mn in 2024 and is expected to continue growing, supported by several structural drivers: (1) population ageing, (2) low penetration rates, (3) rising awareness and earlier diagnosis, (4) the shift toward tele-audiology, and (5) improvements in SSN (National Health Service) support. The latter is expected to benefit from regulatory developments, as currently only 15-20% of the devices are through the SSN, primarily due to restrictive eligibility criteria and limited reimbursement levels (e.g. Eu650 per device), which have historically constrained access. These limitations are particularly significant in a market where approximately 7mn people suffer from hearing loss, but only 35% currently use hearing aids, this results in a significantly underpenetrated market, especially when compared to other major European countries. Rising awareness and earlier diagnosis have also accelerated in recent years, driven by technological advancements such as tele-audiology and the growing role of pharmacies and pharmacists as first-line health care providers. Otofarma, as a front-runner in leveraging Italy's extensive pharmacy network, is uniquely positioned to capture this untapped growth potential. By placing pharmacies at the centre of a more accessible, decentralised, and medically compliant distribution model, the company is unlocking a new paradigm in hearing care. Today, pharmacies account for only 6% of hearing aid sales, highlighting the significant room for expansion beyond the legacy model still dominated by specialised retail chains.

A market with structural tailwinds

According to a study by AGCM, the Italian hearing aid market is valued at Eu870mn in 2024 and is expected to continue growing, supported by several structural drivers



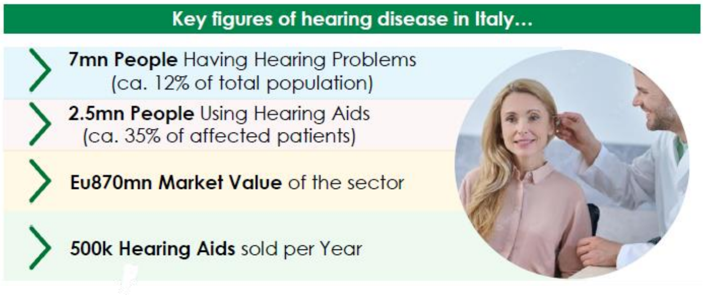
Source: Analyst presentation, Alantra

Italy offers untapped growth potential in hearing aids...

According to Demant, a global hearing healthcare and audio technology group, the hearing aids market is expected to continue growing at middle-single digit in Europe in 2025. This trend is aligned with historical global performance, with hearing aid sales reaching 22.7mn units in 2024 from 16.0mn in 2018 (CAGR +5.9%). The Italian hearing loss market is both substantial and structurally underpenetrated. The AGCM study finds that around 7mn of individuals, roughly 12% of the Italian population, suffer from hearing impairments. However, only 2.5mn people, or c.35% of those affected, currently make use of hearing aids, implying a large untapped potential. The hearing aids market in Italy is currently valued at Eu870mn, with approximately 500,000 devices sold annually.

A huge addressable market in Italy with several tailwinds

Hearing aids market is worth Eu870mn in Italy, and is expected to maintain a growing trajectory due to 5 structural drivers



Source: Analyst presentation, Alantra

…with several trends to accelerate growth

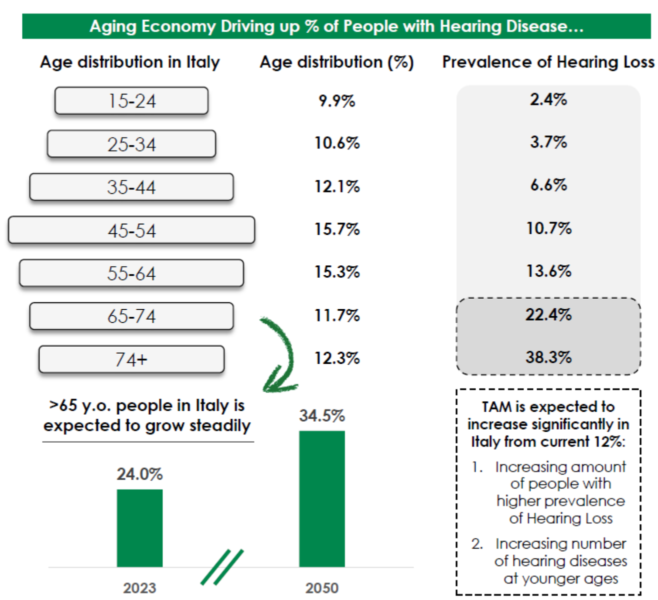
The number of devices is set to increase in the next years, underpinned by several factors: 1) Aging of population; 2) Low penetration rate; 3) Rising awareness and early diagnosis; 4) Shift toward tele-audiology and 5) Improvements in SSN support. More in details:

1) Population ageing

Italy's demographic profile is undergoing a marked transformation, with the proportion of individuals aged over 65 expected to rise from 24% in 2023 to 34.5% by 2050, reinforcing secular tailwinds for the hearing care market. **Age remains the most significant predictor of hearing loss**: prevalence increases exponentially from 2.4% in the 15-24 age group to over 38% among those aged 74+. As a result, **the ageing population dynamic is set to materially expand the total addressable market** (TAM) for hearing aids in Italy, both in absolute numbers and in severity of hearing impairment.

Age distribution in Italy and prevalence of hearing loss

The ageing population dynamic is set to materially expand the total addressable market (TAM) for hearing aids in Italy.



Source: Analyst presentation

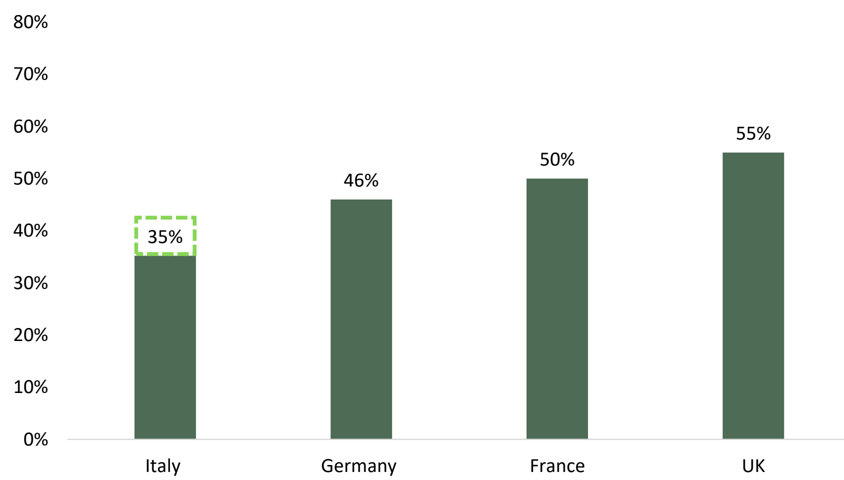
2) Low penetration rate

Despite the high incidence of hearing loss in Italy, the hearing aid market remains structurally underpenetrated, with only 1/3 of affected individuals using a device in 2022, well below the adoption rates seen in comparable European countries. Penetration is particularly low among those with mild hearing loss, where usage drops to just 18%, compared to 76% among patients with more severe impairments.

When benchmarked against peers, Italy lags significantly behind countries such as France (c.50%), Germany (c.46%), and the UK (> 55%), where broader access to public healthcare coverage and early intervention have driven stronger market maturity. France has benefitted from a 100% reimbursement policy, introduced in 2021, which has materially accelerated adoption. Against this backdrop, Italy presents a clear catch-up opportunity within the European hearing care landscape, with significant room for growth as awareness increases, technology becomes more accessible, and structural barriers begin to erode.

Adoption rate of hearing aids vs people requiring them in Europe

Despite the high prevalence of hearing loss in Italy, the hearing aid market remains structurally underpenetrated



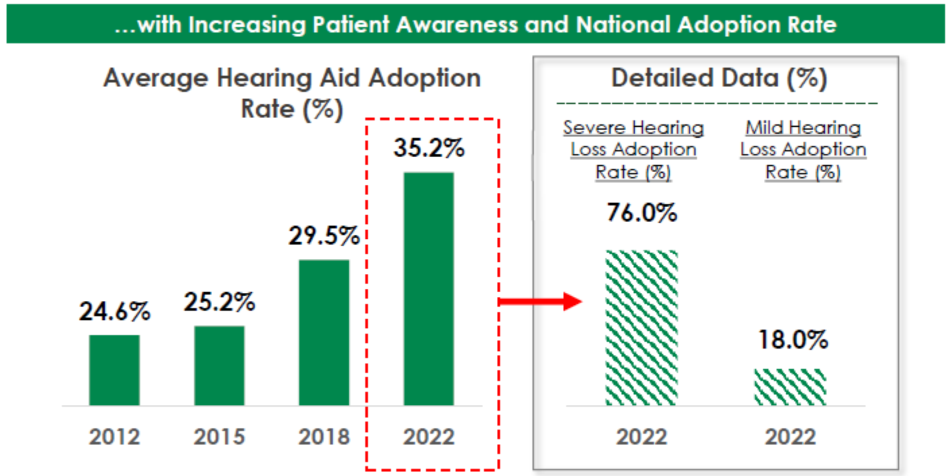
Source: Alantra elaboration on AGCM report

3) Rising awareness and early diagnosis

A rising awareness of hearing health and a growing emphasis on early diagnosis are emerging as key catalysts for structural growth in the Italian hearing aid market. According to the AGCM report, hearing loss is increasingly recognised not only as a quality-of-life issue but also as a public health concern, with mounting evidence linking untreated hearing impairment to cognitive decline, social isolation, and increased healthcare costs. This has prompted health authorities, non-profits, and private players to ramp up information campaigns and preventive screening efforts, especially among older adults. On top of that, devices are now smaller, more discreet, and more aesthetically integrated, often featuring wireless connectivity, smartphone compatibility, and rechargeable batteries. Where once hearing aids were perceived as intrusive or unfashionable, especially among younger or professionally active users, nowadays the average hearing aid adoption has already increased from 24.6% in 2012 to 35.2% in 2022, with adoption among patients with severe hearing loss reaching 76%.

Adoption rate of hearing aids vs people requiring them in Italy

The average hearing aid adoption has already increased from 24.6% in 2012 to 35.2% in 2022



Source: Analyst presentation

4) Shift toward tele-audiology

The Italian market is experiencing a clear and accelerating shift toward tele-audiology, positioning it as a transformative force within the broader telemedicine landscape. Telemedicine penetration in Italian pharmacies has surged, from just 5-7% pre-2020 to over 60% by 2023, highlighting the rapid mainstreaming of digital healthcare services across the national pharmacy network. This evolution has been particularly impactful for hearing care, where tele-audiology offers scalable, timesaving, and customer-friendly solutions, especially in a system traditionally dependent on in-person specialist infrastructure.

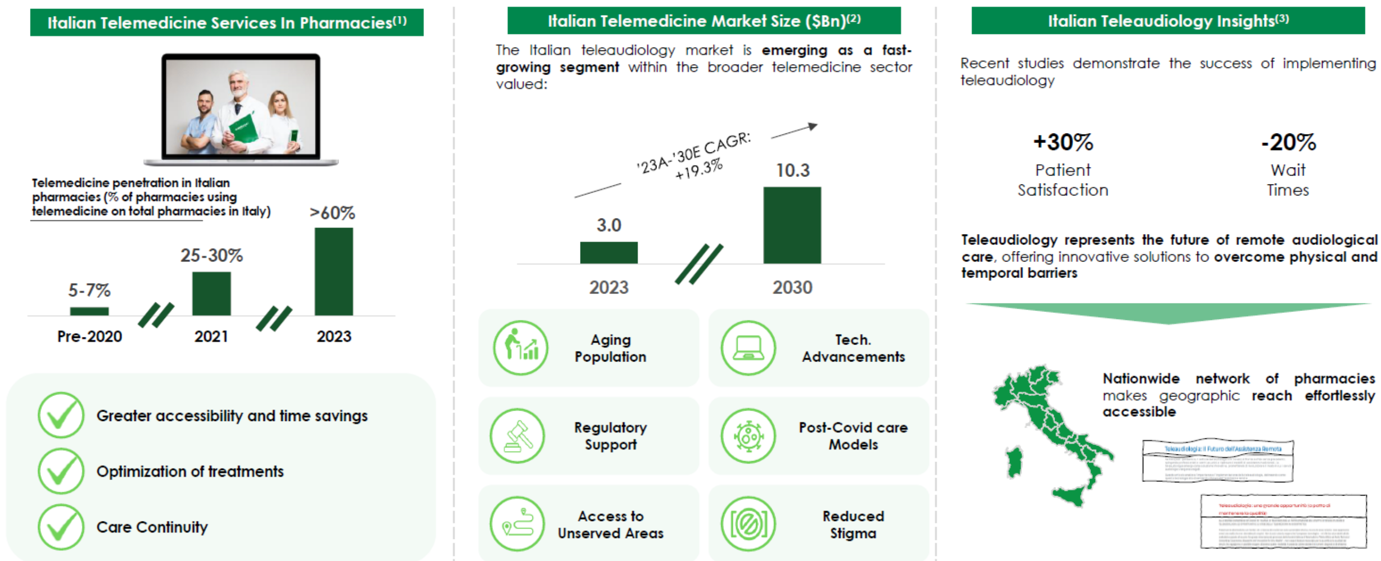
The potential for growth is significant. The Italian telemedicine market is projected to expand from Us3.0bn in 2023 to Us10.3bn by 2030, reflecting a +19.3% CAGR, with audiology identified as one of the most promising segments.

Tele-audiology brings tangible benefits: a study from Ilpas show a +30% increase in customer satisfaction and a 20% reduction in wait times, while also contributing to continuity of care, treatment optimisation, and stigma reduction. Pharmacies, already embedded in local communities, provide the ideal infrastructure for delivering these services, enabling broad geographic coverage and first-point-of-contact convenience.

Otofarma has proactively embraced this shift, establishing a growing presence within pharmacies and pivoting its model around the rising adoption of telemedicine, in line with its mission to democratise access to certified hearing care across the Italian territory.

Telemedicine: a pivotal role in hearing loss detection

The Italian telemedicine market is projected to expand from Us3.0bn in 2023 to Us10.3bn by 2030, reflecting a +19.3% CAGR



Source: Analyst presentation

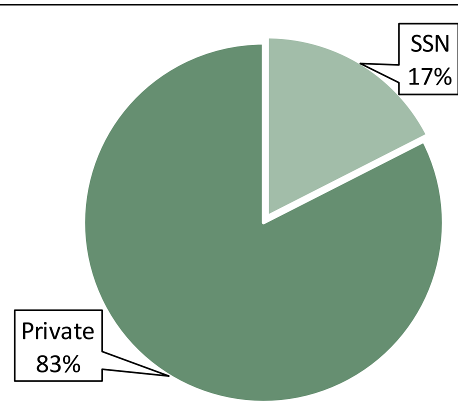
5) Improvements in SSN support

According to the AGCM report, Italy's hearing aid market is predominantly privately funded, with the National Health Service (SSN) covering only around 15-20% of total hearing aid sales in volume terms. **In value terms, the public share is even lower, just 10-12%, due to the low reimbursement cap (c.Eu650 per device)** and the predominance of basic "entry-level" models within the SSN framework. The remaining 85-90% of the market is sustained by out-of-pocket private spending, highlighting a system heavily reliant on individual financial capacity and contributing to the country's low adoption rate, particularly among low- and middle-income patients.

This imbalance underscores the urgency for a structural upgrade of the public support scheme. As noted in the AGCM report, expanding the breadth of SSN reimbursement, both in terms of eligible customer categories and technology tiers, would significantly improve access and close the treatment gap. Moreover, aligning Italy's model with more inclusive systems seen in countries could materially raise the adoption curve.

Hearing aids market breakdown by type (%)

Italy's hearing aid market is mainly privately funded, with SSN covering only around 15-20% of total hearing aid sales (in volume)



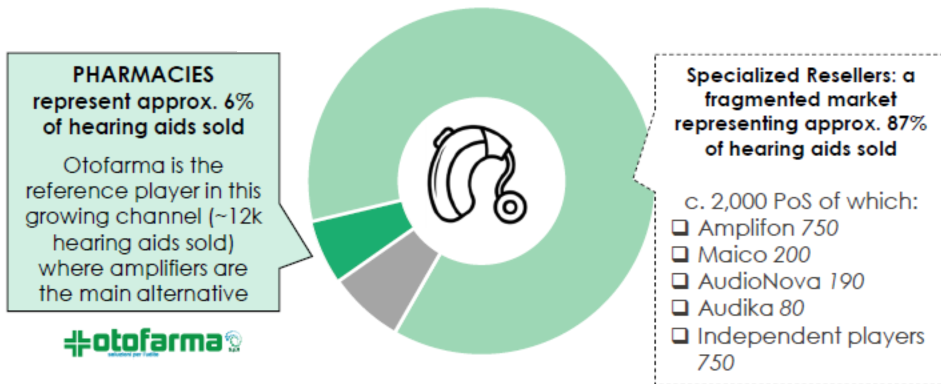
Source: Alantra elaboration on AGCM report

Redefining access with pharmacies: challenging the legacy of specialist retail

The Italian hearing aid distribution model has remained largely unchanged over the past decades, with the market still dominated by specialised retail chains, led by players such as Amplifon. This legacy structure was built around a capillary network of mono-brand centres, aimed at maximising addressable market reach and brand loyalty. Today, an estimated 94% of hearing aids are still distributed through specialised channels, which remain highly fragmented, with Amplifon leading the market with around 750 stores. Pharmacies account for only 6% of total value sales, implying significant untapped growth potential and a large addressable market to capture through this underutilised yet powerful channel. Out of approximately 500k devices sold annually, only 30k units are distributed by c.4k shop-in-shops (including pharmacies), while the remaining volume is covered by over 2k specialised resellers. Despite this, pharmacies already account for over 20k units sold across Italy, suggesting further expansion potential, with around 16k (or 80%) pharmacies still not selling hearing aids.

Hearing aids market in 2024

Untapped Growth Potential in Hearing Aids: The Underutilised Pharmacy Channel



Source: Alantra elaborations on analyst presentation

This entrenched model, while historically effective in consolidating brand equity, has limited the industry's ability to scale cost-effectively, expand into underserved geographies, and respond to evolving consumer behaviours that increasingly favour convenience, digital engagement, and decentralised care.

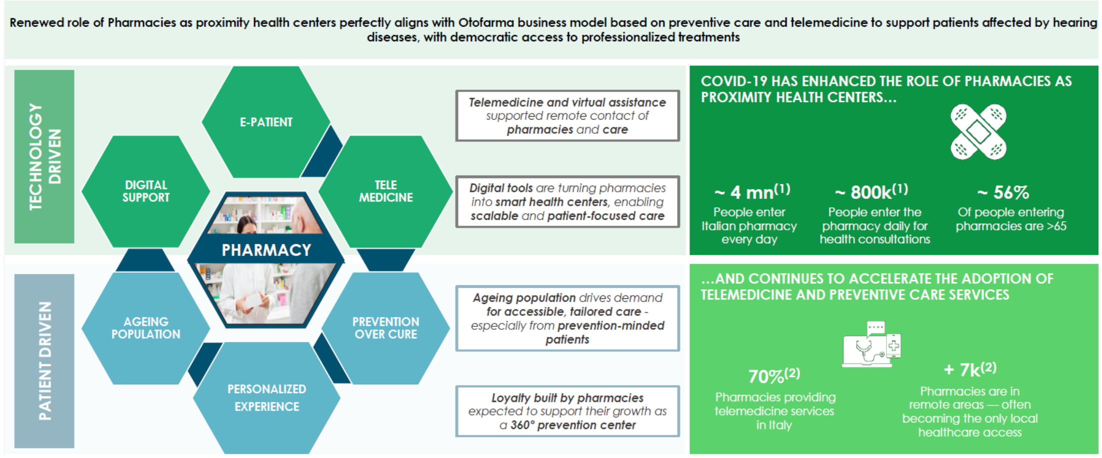
Otofarma is positioning itself as a first mover in redefining this paradigm, leveraging on the extensive network of pharmacies. By adding to its manufacturing nature an efficient distribution strategy, the company is leveraging Italy's vast, underutilised pharmacy network as a new go-to-market platform. In fact, the number of pharmacies in Italy has increased by over 1,200 units since 2018, creating a solid capillary network. On top of that, pharmacies are evolving into trusted community healthcare hubs, often serving as the first point of contact for medical advice, especially among elderly and underserved populations. In fact, COVID-19 has significantly accelerated the evolution of pharmacies into digital-enabled, multi-service health hubs. Today, over 4mn people enter Italian pharmacies daily, with c.800k doing so specifically for health consultations. Notably, 56% of these visitors are over 65, underscoring the relevance of this channel for age-related conditions such as hearing loss.

This evolution is both technology-driven (e.g. adoption of telemedicine and digital tools enabling remote consultations and patient-centric services) and patient-driven (e.g. demand from ageing populations and the shift toward prevention over cure). In this context, pharmacies are increasingly acting as 360° prevention centers.

The shift is further evidenced by the 70% penetration of telemedicine services among pharmacies in Italy, suggesting an infrastructure-ready environment that aligns closely with Otofarma's strategy.

The centric role of pharmacies

Pharmacies are evolving into trusted community healthcare hubs, often serving as the first point of contact for medical advice



Source: Analyst presentation; Note(s): 1) Federfarma "La Farmacia Italiana 2024"; 2) Federfarma (annual report)

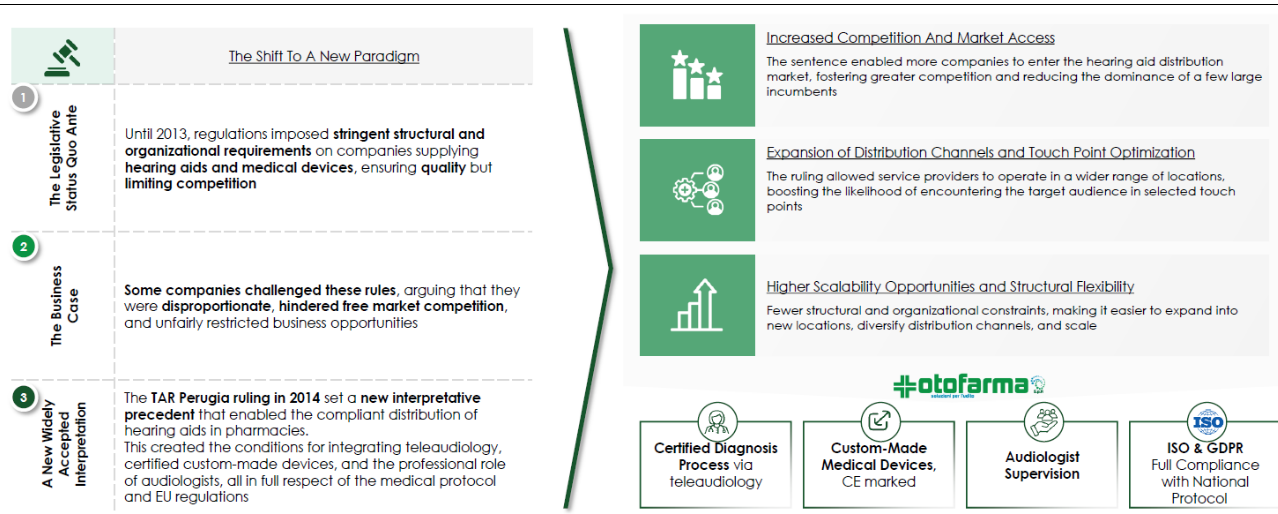
Regulatory framework shift

Otofarma's strategic pivot toward pharmacy-based distribution was not only commercially visionary, but also institutionally enabled by a landmark legal shift. The TAR of Perugia ruling of 2014 redefined the regulatory framework for hearing aid distribution in Italy, recognising pharmacies as legitimate and compliant medical channels. This marked a significant departure from the pre-2013 environment, which imposed rigid structural and organisational requirements on providers, effectively entrenching the dominance of vertically integrated retail chains and suppressing competitive access.

The ruling cleared the way for players like Otofarma to integrate certified tele-audiology diagnostics, custom-made CE-marked devices, and the supervised role of audiologists within the pharmacy ecosystem, offering full compliance with national and EU medical standards (ISO & GDPR). This has unlocked greater scalability, structural flexibility, and the opportunity to optimise customer touchpoints across a broader and more decentralised care network. As such, Otofarma is not merely innovating commercially, but also operating within a medical-proof and legally supported framework, reinforcing its first-mover advantage and long-term defensibility in the Italian hearing care landscape.

The centric role of pharmacies

Pharmacies are evolving into trusted community healthcare hubs, often serving as the first point of contact for medical advice



Source: Analyst presentation

Unique positioning triggers market share gains

The competitive landscape in the hearing aid market is dominated by large vertically integrated players such as Sonova and Demant, which cover around 25% of the global hearing aid product market through full control of the value chain, from manufacturing to retail distribution. Alongside these players, the market includes independent retailers like Amplifon (13% market share, 40% in Italy) and smaller, pure manufacturers with limited or no retail operations (c.50% market share). Otofarma operates beyond the traditional distribution channel with a distinctive business model that combines advanced manufacturing capabilities, and an efficient distribution strategy based on a national pharmacy network. This approach, unique in the Italian market, results in a significantly lighter asset structure compared to large integrated players and independent retailers, while preserving full control over the value chain and enabling more flexible capital allocation toward marketing and service quality. In our view, while major players may access in advance to latest technologies, competition is increasingly defined by four key levers: quality of service, brand awareness, pricing, and distribution reach. Otofarma's first-mover advantage, its footprint of over 4,000 partner pharmacies, competitive pricing, full-service capabilities, and its "silent" salesforce of pharmacists, who extend its reach across the country, are key competitive strengths. This differentiated positioning is reflected in its attractive ROCE of 32.3% in FY24 vs 13.1% peer's average (5Y average).

Mapping the global hearing aid arena

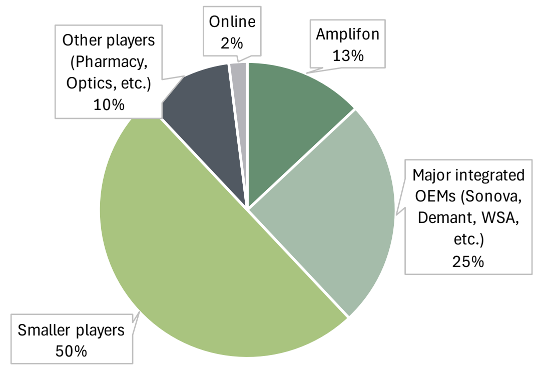
The competitive landscape of the global hearing aid market is shaped by a distinct segmentation between vertically integrated conglomerates and independent players, both at manufacturing and retail levels. At the top of the value chain sit a few dominant vertically integrated groups, namely Sonova, Demant, and WSA, who control all stages from product innovation and manufacturing to retail distribution. These players command over 25% of the global hearing aid device market, leveraging economies of scale, strong brand portfolios, proprietary technologies (often with audiological service integration), and increasingly direct-to-consumer channels, including owned retail networks and online platforms.

In parallel, the retail and distribution segment remain far more fragmented. Amplifon stands out as the global leader in this segment, operating the world's largest network of hearing aid retail outlets, with over 9,700 points of sale (ow 750 in Italy) and a 13% global market share. Unlike vertically integrated rivals, Amplifon does not manufacture its own devices, sourcing instead from all major producers while focusing on service quality, customer loyalty, and geographic expansion. Its strategic positioning as a retail consolidator has enabled it to reach dominant market shares in countries like Italy (over 40%).

Below these leading groups, the rest of the market consists of smaller, often regionally focused manufacturers and independent audiology retailers, many of whom lack scale, technological investment capacity, or brand strength. This long tail accounts for c.50% of the global retail distribution and represents a significant opportunity for consolidation. The remaining 13% of the market worldwide is mainly divided across alternative channels like pharmacies, optics, non-specialised stores and online.

Market positioning of global hearing aids players

Major large integrated OEMs dominate the market with 25% share.



Source: Alantra elaborations on Amplifon and Aranca

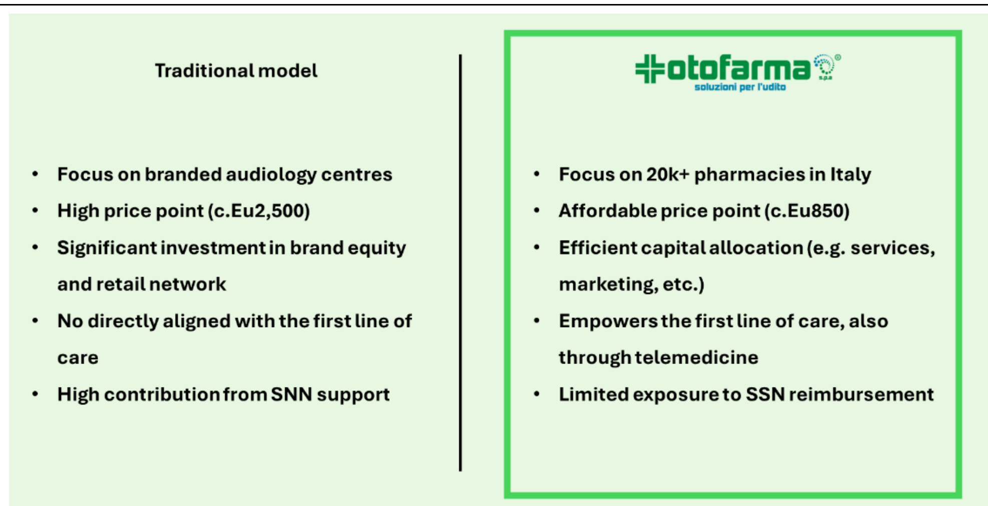
Otofarma's first-mover edge in the Italian pharmacy network

Unlike other players in the hearing aid market, Otofarma has established a distinctive positioning by focusing on the pharmacy channel in Italy. This unique go-to-market strategy has provided the company with a meaningful first-mover advantage in a largely untapped segment, giving access to a highly capillary network of over 20,000 pharmacies nationwide, of which around 4,000 are already affiliated. While traditional competitors have historically concentrated their efforts on direct retail and branded audiology centres, leveraging brand equity, controlled service environments, and higher-margin distribution models, Otofarma has built an alternative route to market that prioritises accessibility and proximity.

We believe that major global players are unlikely to pivot towards the pharmacy channel, as their strategic focus has long been anchored to vertically integrated structures and substantial investments in brand positioning. Shifting away from these entrenched models would entail brand dilution risk and structural misalignment with established commercial infrastructures, as well as reducing the return per store, making Otofarma's differentiated model even more defensible.

Otofarma's model embeds structural advantages that raise barriers to entry

Traditional model embeds structural dynamics that make Otofarma's model less attractive to major players



Source: Alantra

Combining pricing power and reach for lasting advantage…

Otofarma's pricing strategy represents a core competitive advantage, enabling the group to democratise access to advanced hearing solutions. By positioning its basic models at Eu850, compared to average price of around Eu2,500 offered by traditional players, Otofarma significantly broadens the affordability threshold for end-users.

This pricing advantage is made possible by the company's manufacturing efficiency and its asset-light model, which avoids the capital intensity of owning and operating a proprietary retail network. Despite the lower price point, Otofarma delivers competitive technological performance, reinforcing its value proposition. Moreover, its offering remains price-competitive even when benchmarked against basic models sold through conventional channels after state reimbursement (SSN), further enhancing its positioning.

This approach not only raises entry barriers for incumbents, but also disincentivises their expansion into the pharmacy channel. Any attempt to compete on price would risk cannibalising their premium portfolios and eroding the return on investment of their well-established retail infrastructure, making Otofarma's model structurally resilient and strategically sound.

..with a full-service, patient-centred model that makes Otofarma stand out

Otofarma's positioning stands out as structurally strong due to a combination of differentiating factors across the value chain. Unlike traditional resellers or low-cost OTC amplifiers, Otofarma offers certified medical devices capable of treating mild to profound hearing loss. This channel not only ensures accessibility and capillarity but also leverages a professionalised marketing approach targeting pharmacists directly. The group integrates telemedicine, maintains in-house production capabilities, and offers after-sale support, unlike OTC devices or specialised resellers, which lack one or more of these elements. With an advanced technological profile, strong Trustpilot ratings, and a significantly lower price point (Eu850 vs Eu2,500 for traditional channels), Otofarma successfully combines affordability, quality, and proximity, reinforcing its competitive edge in the Italian hearing care market.

Otofarma stands out for offering a comprehensive, end-to-end service model that differentiates it from both traditional retailers and OTC amplifier providers. The patient journey begins with a preliminary screening followed by a hearing check-up and detailed analysis. After that, the patient receives a medical consultation with a dedicated audiometrist. This leads to the creation of a tailor-made hearing solution, fully adapted to the patient's specific needs, an approach rarely matched in breadth and personalisation by other players. In addition, Otofarma provides structured post-sales support, ensuring continuity of care and device optimisation over time, unlike OTC amplifier vendors, which typically offer no follow-up or professional assistance after the point of sale. This full-service pathway reinforces Otofarma's positioning as a medically certified, patient-centred alternative in the hearing care landscape.

Otofarma's competitive positioning vs specialised resellers and OTC amplifiers

Strategic differentiation across distribution, technology, and pricing

	otofarma	SPECIALIZED RESELLER	PERSONAL AMPLIFIERS
MEDICAL DEVICE (2)	✓	✓	✗
DISEASE TREATED	Mild Severe Profound		Mild
KEY TECHNICAL FEATURES	ADVANCED FEATURES		BASIC
AFTER SALE SUPPORT	✓	✓	✗
DISTRIBUTION CHANNEL	PHARMACY	RETAIL SHOP	MAINLY PHARMACY
TELEMEDICINE	✓	✗	✗
IN-HOUSE PRODUCTION	✓	✗	✗
TRUSTPILOT RATING	★★★★⯪	★★⯪☆☆	★★★★☆
MARKETING	ADDRESSING PHARMACISTS	ADDRESSING CONSUMERS	ADDRESSING CONSUMERS
SELLING PRICE(3)	€850	€2,500	€360

Source: Analyst presentation; 3: Retail price

Porter's five forces analysis

Competitive rivalry (moderate to high). The hearing aid market is characterised by strong competition, led by vertically integrated multinationals such as Sonova and Demant, which control both product development and retail distribution, with the latter added primarily via M&A. Independent retailers like Amplifon also exert considerable market presence. However, Otofarma's differentiated asset-light model allows it to sidestep direct confrontation with traditional retail chains and to compete through proximity, trust, and agility rather than footprint or price alone. Moreover, Otofarma's strong focus on tailor-made hearing aids represents a key competitive advantage in the market.

Threat of new entrants (low to moderate). While the hearing care market offers attractive long-term growth, significant entry barriers exist, including the need for brand credibility, regulatory compliance, post-sale service infrastructure, and established distribution agreements, particularly in healthcare environments like pharmacies. Otofarma's early-mover advantage in this unique distribution model, combined with its manufacturing capabilities and pharmacist network, helps defend against potential disruptors, including digital-first or OTC-oriented newcomers.

Bargaining power of supplier (high). Otofarma benefits from owning its manufacturing operations, which significantly reduces its dependency on third-party suppliers and insulates the business from upstream cost pressures or component shortages. While some critical components may still be externally sourced, suppliers have limited influence over pricing or innovation, especially in a segment where brand, service, and distribution matter more than raw hardware differentiation. However, the group's exposure to its primary supplier, while structurally common in an oligopolistic market, is relevant (c. 80%, i.e. Eu1.9mn), limiting its bargaining power.

Bargaining power of buyers (moderate). In Otofarma's model, pharmacies serve as both sales partners and customer-facing points of care. While no individual pharmacy has significant power, collectively they could exert influence over margins or product terms. However, Otofarma mitigates this risk by embedding value-added services, such as training, marketing support, and turnkey solutions, that raise switching costs and strengthen long-term relationships. For end-users, price sensitivity is generally low, but trust, service, and convenience remain decisive, which favours the pharmacy channel.

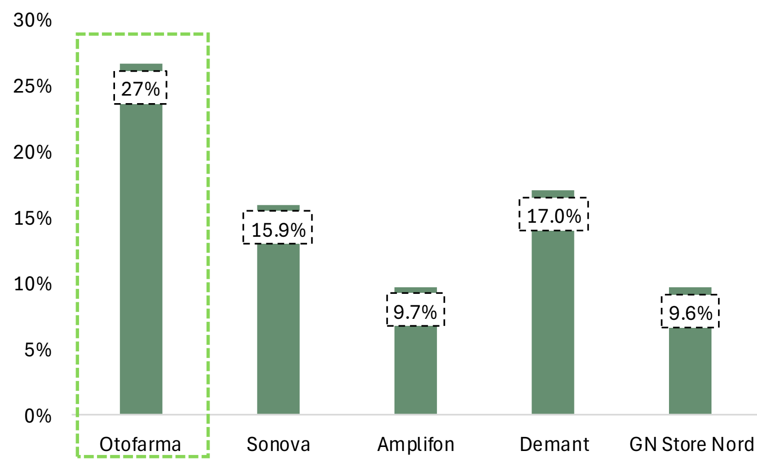
Threat of substitutes (moderate to high). Although the hearing care market faces some emerging alternatives, such as OTC amplifiers, smartphone-based tools, or cochlear implants, none currently match the clinical reliability, service integration, or regulatory standing of Otofarma's solutions. Its hybrid positioning between medical-grade devices and accessible pharmacy-based care creates a defensible niche that balances quality, convenience, and trust, making it less vulnerable to substitution in the near term.

A solid competitive edge, evidenced by robust ROCE

We believe that the competitive positioning of Otofarma is well-summarised by its double-digit ROCE of 32.3% in 2024 (27% average 2024-23), above the 5-year average of its main competitors (13.1%). This is driven mainly by a lighter asset base and efficient capital allocation vs other major players, which are trailed by right of use assets due to their capillary retail network.

Otofarma's 2Y ROCE vs 5Y average of peers

The Otofarma's asset light model unlocks unparalleled returns on capital



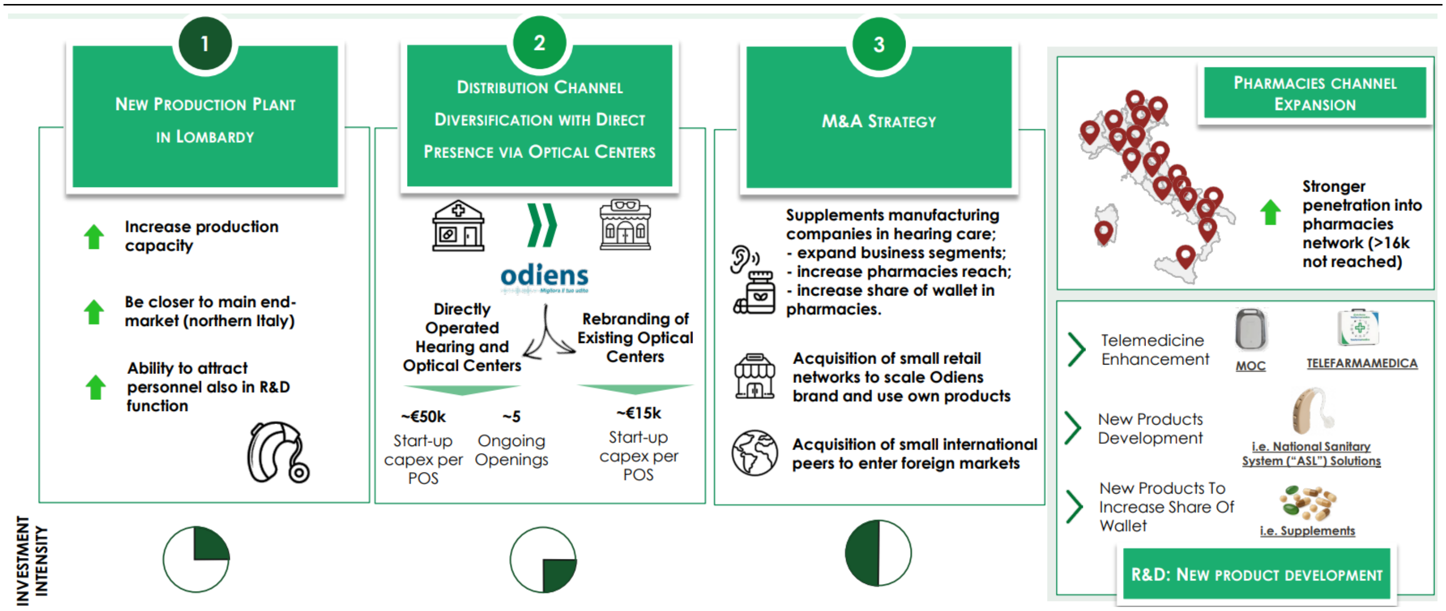
Source: Alantra; Note 1: Otofarma's ROCE is defined as: Adj. EBIT*(1-Norm. Tax Rate)/(Fixed Assets + NWC)

Accelerating growth: innovation, distribution & M&A

Otofarma is well positioned to continue its growth trajectory, leveraging a unique multi-channel strategy in the Italian hearing-care market, which remains significantly under-penetrated. The group is expected to scale both organically and through M&A, capitalising on several growth levers: (1) expanding production capacity with a new hub in Milan; (2) strengthening its distribution network, both directly through proprietary stores and optical centers, and indirectly via affiliated pharmacies; and (3) pursuing acquisitions in manufacturing, retail, or small international brands to expand abroad. Additionally, the group is expected to maintain a strong focus on R&D and innovation, with ongoing investments in telemedicine solutions, new product development, and an expanded product portfolio (e.g., supplements), aiming to increase its share of wallet per customer. The construction of a production plant and a hub in Milan would increase production capabilities and improve overall operations and logistics, as 60% of total Otofarma hearing sales are sold in northern Italy. On top of that, the group is also considering expanding production capacity in Varcaturo through the enlargement of its current HQ. The IPO proceeds (Eu9.1mn net of costs) now provide a tangible accelerator for the group's growth path, supporting its strategy to consolidate a strong competitive positioning as a first mover in the pharmacy channel.

Three-pillar strategy: widening production capacity, distribution channel diversification, and exploring M&A opportunities

Clear multi-pronged strategy combining pharmacy penetration, optical retail, R&D innovation, and targeted M&A to fuel scalable growth



Source: Analyst presentation

1) Multi-site expansion strategy calls for production capacity growth

Otofarma intends to scale up tailor-made production through a multi-site expansion strategy that couples new capacity with continued R&D investment. The cornerstone is the Milan hub, where Otofarma has committed Eu1.5mn for the property and expects to spend at least a further Eu1.5mn on refurbishment. Once operational (expected by 2027), the facility will combine production lines, outpatient sales clinics, a commercial-team headquarters and conference space, creating an integrated hub for manufacturing and front-office activities. Complementing Milan, the group has already placed a Eu0.26mn deposit on the Varcaturo plant and plans a Eu0.75mn expansion starting in late 2026. Together, these projects are set to increase capacity by 2x, deepen the company's know-how in customised solutions and support margin-accretive growth over the medium term. Moreover, a hub in Milan would be a strategical move to optimise logistics and presence in the area where majority of the group's hearings aids are sold (c.60%).

2) Direct channel development, enhancing patient proximity and brand visibility

While pharmacies remain the group's primary distribution channel, accounting for 87% of FY24 revenues, Otofarma is steadily broadening its direct-to-consumer presence through a network of proprietary hearing and optical centres. The company currently has around five locations under development, each requiring a start-up investment of roughly Eu50k, and now intends to accelerate the roll-out pursuing two complementary growth paths: 1) embedding its audiology proposition within more than 500 existing optical stores over the next 3 years, creating a dense, synergistic retail footprint that leverages the natural affinity between vision and hearing care and 2) establish own stores in every Italian region (3 openings are scheduled for 2025, a further 4 in 2026, and 4 in 2027) combining dedicated audiology suites with full optical services. The presence of at least one owned point of sale in each region will not only enhance brand visibility in high-traffic consumer corridors but also facilitate direct access to Servizio Sanitario Nazionale (SSN, National Health System) reimbursement pathways. In addition to strengthening customer engagement, this integrated direct channel is expected to lift margin retention and progressively lessen the group's reliance on third-party intermediaries.

3) M&A optionality, strategic upside to accelerate scale and reach

M&A remains firmly on Otofarma's radar as a potential lever for long-term expansion and strategic acceleration. The group is actively evaluating bolt-on acquisitions involving smaller regional hearing care operators within Italy, aiming to strengthen local presence and deepen commercial reach across its existing pharmacy network. In parallel, targets in adjacent verticals are also being considered to further embed Otofarma's services within partner pharmacies and broaden the offering. International growth through the acquisition of similarly structured operators abroad is under exploration as well, with a particular focus on markets that share regulatory and channel similarities. We believe Otofarma is strategically positioned to act as a consolidator in a fragmented market defined by low penetration, operational inefficiencies, and limited structural barriers to entry.

Additional scalable drivers for future growth

R&D-led innovation - Otofarma consistently allocates around 5% of its annual revenues to R&D, with a focus on next-generation hearing aids, advanced digital diagnostic technologies, and complementary offerings such as tinnitus relief supplements and medical devices. Proprietary solutions, including the Telefarmamedica platform and sophisticated 3D modelling capabilities for custom-fitted devices, enable full vertical integration, helping the group accelerate time-to-market while ensuring uniform product quality across its range. These technological innovations not only strengthen Otofarma's compelling value-for-money positioning but enhance also stickiness and partner loyalty.

Pharmacy channel acceleration - With more than 4,000 affiliated pharmacies, Otofarma has built a strong national footprint, yet this still covers only a portion of Italy's 20,000+ pharmacies. Management sees significant untapped potential for organic growth, particularly across central and southern regions where the adoption of innovative healthcare services has historically been slower. The strategic ambition is to expand penetration across this remaining white space, leveraging a highly scalable operating model built around turnkey telemedicine platforms, dedicated field support, and continuous pharmacist engagement. This growth strategy will be supported by the introduction of a new territorial organisation plan, aimed at enhancing the activation rate among affiliated pharmacies (currently at 49%), by strengthening presence of the commercial team. The new structure envisages the deployment of dedicated Area Managers, each responsible for the support of 4 local clusters, totalling 80 pharmacies per manager. Over the next 3Y, Otofarma plans to recruit 35 new Area Managers and expand its network by affiliating 2,500 additional pharmacies. This growth will be supported by over Eu4mn in cumulative investments, primarily allocated to the development of the commercial network, and further reinforced by ongoing investment in CRM systems and business intelligence tools aimed at optimising performance monitoring. The enlarged sales force, set to grow from the current 131 to 250 professionals and will operate under a more refined and strategically aligned selection framework.

Focus on 1H25 results

Otofarma has delivered a growing set of interim results for 1H25, demonstrating the group's ability to sustain double-digit revenue growth through disciplined execution and continued expansion of its pharmacy-based distribution model. The interim result was marked by strong commercial progress and transitory cost pressure, the hallmark of a scaling growth story rather than structural weakness. With front-loaded investments and one-off costs now rolling off, and top-line momentum remaining solid, 2H25 should mark the inflection point toward renewed margin expansion and positive cash generation. The strengthened post-IPO balance sheet provides ample capacity to support the next phase of network growth and technological innovation, keeping the operational trajectory firmly aligned with medium-long term growth ambitions.

Double-digit growth in top-line

Pro-forma sales rose +19.3% YoY to Eu8.0mn, driving value of production to Eu8.5mn, from Eu7.1mn a year earlier. Growth stemmed from the continued roll-out of Otofarma's pharmacy network, both through the direct channel and the Odiens platform, supported by the recruitment of 60 new commercial collaborators (mainly between February and April). The sales force now totals roughly 200 people, with only a further 20 expected before year-end. A further 40 are planned in 2026 to reach the medium-term target of c.250 operators, giving the group a comprehensive national footprint. The Odiens model continues to gain traction, extending the group's reach into the optical channel (now c.125 affiliated opticians) while leveraging synergies in patient acquisition. The ongoing modernisation of the Telefarmamedica telemedicine platform positions Otofarma as a front-runner in pharmacy-based hearing diagnostics.

Cost base: front-loaded investment with visibility of reversal

Otofarma's 1H25 cost profile increased, particularly within services, which reached Eu4.3mn, up sharply YoY and representing some 50% of production value. This reflected mainly four factors:

1. **Commercial reinforcement** - commissions and fixed components for the newly hired salesforce. Each new hire is paid a fixed base for the first four months, tapering off to a fully variable scheme from month six onwards. These costs therefore peak in the ramp-up phase and are expected to normalise by late 2H25.
2. **Consumer financing scheme** - the decision to introduce instalment payments (PagoDIL) expanded access but carried a 10% charge on financed contracts and an expanded credit ceiling to Eu1.5mn. From 1-Oct, instalments are capped at 30% (vs. 50% previously), which will ease cost incidence going forward.
3. **Marketing and fairs** - the biennial Cosmofarma event (cost Eu150k) supported deep pharmacy engagement and strong lead generation, while MIDO (more image-driven) is unlikely to be repeated next year.
4. **Store upgrades -** Eu184k of extraordinary costs related to the refurbishment of Odiens stores in Cagliari, Palermo, and Castrocielo, which will not recur in 2H25.

Personnel costs rose to Eu1.5mn (+15% YoY), reflecting the conversion of interns to permanent contracts, targeted pay adjustments, and the addition of 7 new teleaudiology specialists. The group also began strengthening its finance and control function to support its new listed-company structure. Finally, IPO-related expenses totalled around Eu0.6mn, the bulk of which were incurred in 1H, marking another non-recurring drag on earnings. As a result, adjusted EBITDA came in at Eu0.8mn, implying a 9.7% margin, while EBIT Adjusted reached Eu0.6mn (6.8%). The bottom line was negative for Eu0.2mn, consistent with an investment-led half. Net debt stood at Eu1.1mn, compared with Eu0.4mn at YE24, reflecting working capital absorption and some IPO-related costs.

The 2H is historically stronger for Otofarma and is expected to show both higher turnover and improved profitability. Key drivers for the 2H margin uplift include: 1) phasing out of initial fixed pay for new hires; 2) reduced exposure to high-cost instalment financing; 3) no recurrence of trade fair and refurbishment costs; 4) greater sales density per pharmacy and full contribution from Odiens' new outlets.

Scaling revenues with expanding profitability

Following a strong FY24, with revenues of Eu15.1mn (+29% YoY), we expect Otofarma to enter a new phase of disciplined expansion. Over the FY24-27E period, we forecast sales CAGR of 18.9%, reaching Eu25.3mn by FY27E. Growth will be supported by the continued expansion of the pharmacy channel, increasing from Eu13.1mn to Eu22.2mn, driven by both a rising number of active pharmacies and higher units sold per location. In parallel, the steady rollout of direct stores (4 new openings per year) is expected to provide further growth. A favourable product mix, supported by ongoing innovation and higher penetration of premium models and upselling capabilities, are expected to provide further margins tailwind. We forecast adj. EBITDA to reach Eu5.4mn in FY27E from Eu3.0mn in FY24 (CAGR of 21.7%), with a margin of 19.9% from 18.8%. This is also driven by a better exploitation of the sales network, and the fulfilment of the Otofarma production capacity. Adj. EBIT, which reached Eu2.6mn/16.4% margin in FY24, is projected to grow to Eu4.7mn/17.3% in FY27E (21.4% CAGR), thanks to group's asset-light profile, despite considering capitalized IPO costs for Eu1.4mn during the period. Net financial charges and the tax rate are expected to remain broadly stable. Adj. Net income is set to rise from Eu1.4mn to Eu2.5mn, highlighting a compelling and scalable earnings trajectory.

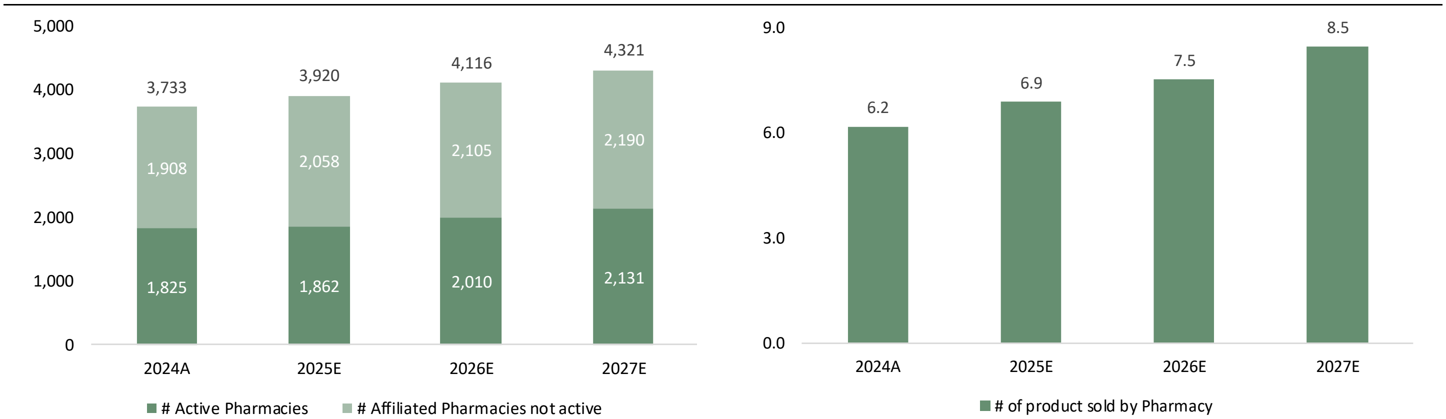
Revenues CAGR$_{24\text{-}27}$ of 18.9% driven by the pharmacy channel

We expect revenues to grow from Eu15.1mn in FY24 to Eu25.3mn by FY27E, delivering a 18.9% CAGR entirely organic. Over the same period, value of production is projected to increase from Eu15.9mn to Eu27.0mn (19.4% CAGR). This growth trajectory is supported by a robust commercial engine based on 3 revenue channels: Pharmacies, Direct, and Accessories, with the former channel representing the core of the business and the key driver.

Revenue growth, across all the Otofarma's channels, is expected to be supported by 3 structural levers: 1) the continuous expansion of the active pharmacy network, growing from 1,825 to 2,131 by FY27E, 2) the increase in average volumes per pharmacy, with hearing aid units sold per store rising from 6.2 to 8.5 over the same period; and 3) the gradual rollout of 4 new physical store each year in new Italian regions, which is projected to accelerate the development of the company's direct channel, both via SSN and physical stores.

Expanding pharmacy base with rising average productivity per location

Active pharmacies expected to grow from 1,825 to 2,131 by FY27E, with average units sold per pharmacy increasing from 6.2 to 8.5



Source: Alantra

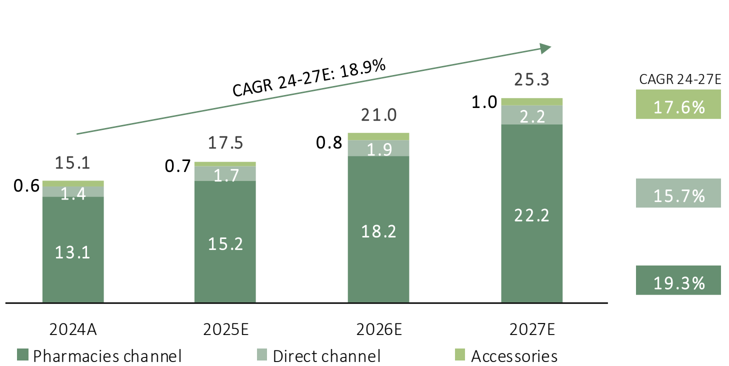
The Pharmacy channel accounts for 89% of the expected topline growth over the FY24-27E period, expanding from Eu13.1mn to Eu22.2mn by FY27E, with a 19.3% CAGR. Growth is driven by both higher penetration across the pharmacy network and improved sales productivity per location, supported by the group's proprietary tele-audiology infrastructure and the effectiveness of its independent sales consultant model. In our forecasts, we assume that each consultant can manage up to 15 active pharmacies, and we have modelled the growth in the commercial workforce, accordingly, ensuring scalability remains consistent with the expansion of the affiliated base.

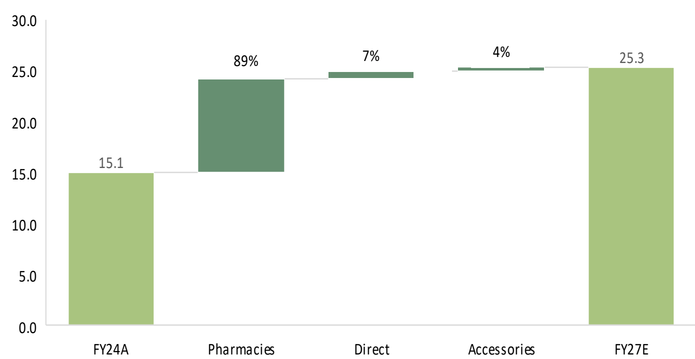
The Direct channel is set to grow from Eu1.4mn to Eu2.2mn in FY27E (15.7% CAGR), contributing 7% of the incremental revenues during FY24A-27E. The channel is supported by new store openings and incremental sales from SSN and optical centers. While still representing a smaller share of revenues, the channel offers strategic visibility and a potential entry point to a richer business in terms of TAM. When modelling the optical-channel contribution, we have adopted cautious assumptions on the pace at which new opticians will join Otofarma network. As this is a nascent revenue stream, our forecasts rely on a limited uptake at first, allowing the first wave of partnerships to provide a data-backed foundation before we factor in a steeper acceleration.

The Accessories business line, which includes sales of add-ons such as chargers and wireless microphones, is expected to grow at an 17.6% CAGR, although its contribution to overall growth remains marginal in absolute terms (4%). The topline outlook reflects a scalable and diversified commercial model, capable of outperforming underlying market growth through a combination of network expansion, channel integration and product upgrading.

Top-line expansion anchored in pharmacy leadership, with growing multi-channel contributions

89% of revenue growth by 2027 is attributed to the pharmacies channel, with direct and accessories channel reinforcing diversification





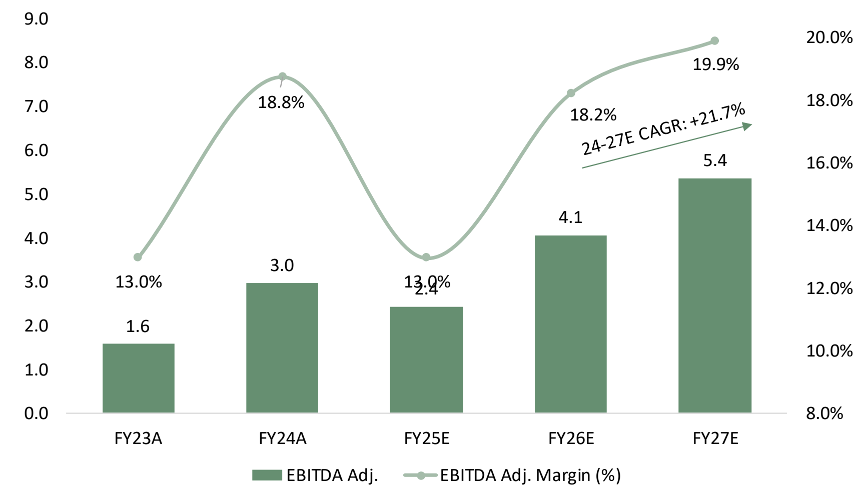
Source: Alantra elaborations

Profitability growth driven by an efficient cost structure

In 2024, the group generated EBITDA for Eu2.3mn, however about Eu0.7mn are referred to extraordinary costs linked to tax penalties (Eu0.3mn) and losses from contingencies (Eu0.4mn), making adj. EBITDA of Eu3.0mn with 18.8% margin. Adj. EBITDA is therefore projected to rise from Eu3.0mn in FY24, to Eu5.4mn in FY27E, lifting the margin to 19.9%, and growing at 21.7% CAGR FY24-27E. This improvement reflects the combined effect of the optimised gross margin profitability and a disciplined cost control on every line. Service expenses, which include fees paid to the independent consultant network, scale slightly less then revenues, moving from Eu7.4mn to Eu11.5mn in FY27E, with a CAGR of 15.7% the cost line remains below the topline trajectory, allowing operating optimisation to emerge. Personnel costs increase supporting the expansion of the direct channel, but the overall rise stays contained thanks to the high incidence of independent sales resources on Otofarma's workforce. Rental costs edge higher (31.0% CAGR) as around 2 new stores will be added each year, the incremental burden is sustained by short lease maturities but mitigated by limited capex required by the business. Taken together, these dynamics translate into a steady uplift of EBITDA margin maintaining a lean cost structure, positioning the company to convert revenue growth more efficiently.

Structural margin stability enables double-digit EBITDA CAGR growth

Adjusted EBITDA growing at 21.7% CAGR FY24-27E, improving the margin from 18.8% to 19.9%



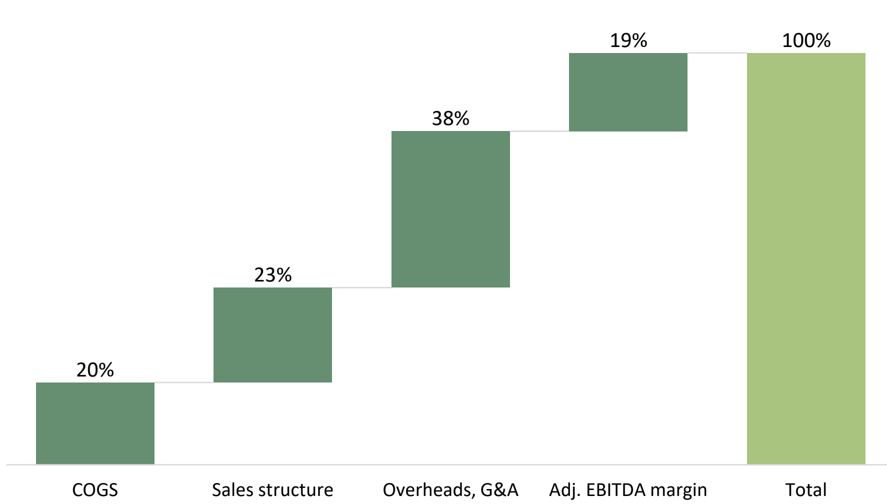
Source: Alantra estimates

Walk-through to EBITDA margin highlights scalable and balanced cost structure

A detailed walk-through to the FY24 adj. EBITDA margin highlights the company's efficient and scalable cost structure. COGS represent approximately 20% of revenues, underscoring a lean operational model with limited direct input exposure. Commercial expenses, primarily linked to pharmacy channel support, trade activation, and sales promotional efforts, weigh around 23% of revenues. The remaining 38% is attributable to fixed and semi-variable overheads, including G&A, structure costs, and corporate functions. This cost configuration translates into a robust adj. EBITDA margin of 19%, reflecting effective cost discipline and strong operating leverage across the platform.

From Revenue to Margin: Walk-Through Shows Operational Leverage

The operating costs % of sales breakdown is divided as follows some 20% to COGS, 23% sales effort, 38% overheads and G&A



Source: Alantra estimates

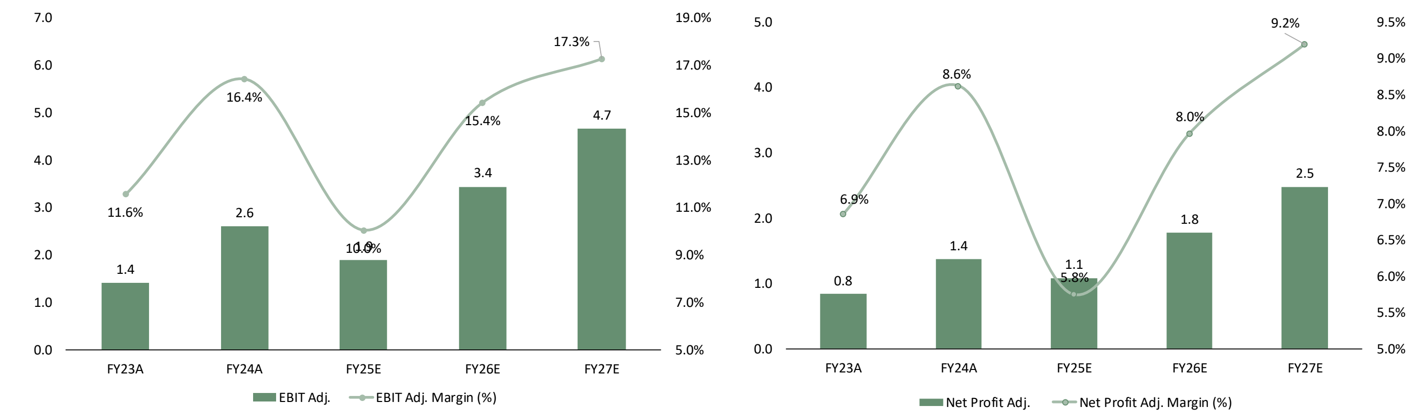
Solid earnings growth supported by lean cost structure

Below EBITDA, profitability remains solid and improves consistently across the plan. Adjusted EBIT is expected to grow from Eu2.6mn in FY24 to Eu4.7mn by FY27E, with the margin increasing from 16.4% to 17.3%, despite considering Eu1.4mn capitalized IPO costs during the period. Financial charges are expected to remain in line with historical figures. The group's tax rate is impacted by a structural divergence between accounting and taxable income, likely driven by its extensive reliance on part-time labor and independent contractors (Partita IVA). While these costs materially reduce EBIT, they may be only partially deductible for fiscal purposes, effectively inflating the taxable base relative to book earnings. As such, we project the tax rate at 47% average 2025-27E, a touch better than historical levels (c.50% average in 2023-24).

On this basis, adjusted net profit is forecast to rise from Eu1.4mn in FY24 to Eu2.5mn by FY27E, delivering a CAGR of 21.9%. The net margin is projected to expand from 8.6% to 9.2%, reflecting both operating leverage and sustained profitability growth.

Improving operating profitability and accelerating net income conversion

Steady EBIT margin progression supports robust growth, with adjusted net profit growing at 21.9% CAGR 24A-27E.



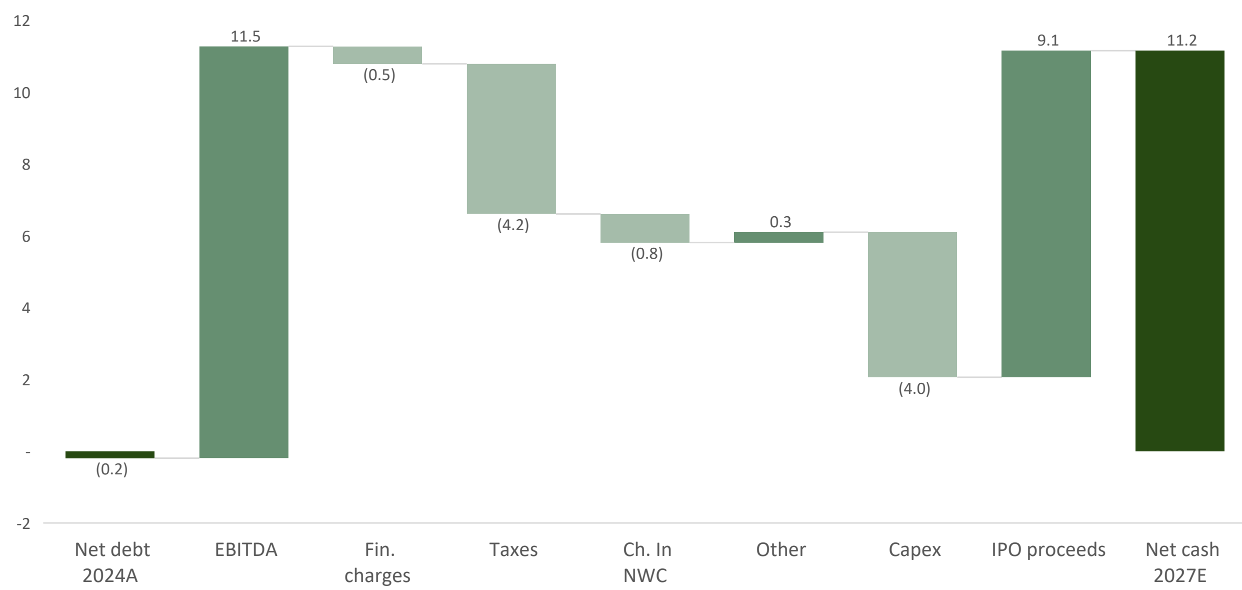
Source: Alantra estimates

Asset-light business model with high ROCE

Otofarma boasts an asset light business model, with working capital on sales weighing 18% in FY24. We expect this to gradually decrease to 14% in FY27E as exposure to SSN channel would decrease its sales contribution in favour to pharmacy segment with a shorter cash conversion cycle. This should benefit working capital dynamics, as well as stronger presence with direct shops, delivering an average WC/sales ratio of 15% on average FY25E-27E. Fixed assets are equally distributed among tangible (mainly plants and equipment) and intangible (mainly goodwill), representing c.20% of FY24 sales. We projected capex/sales of 6.4% on average FY25E-27E, reflecting mainly investments in maintenance and R&D. The group should generate a combined FCF of Eu2.2mn during the forecasted period, reaching a sound EBITDA conversion of 27% by 2027. This should further strengthen the NFP of the group from a net debt position of Eu0.2mn in FY24 to Eu11.2mn, also thanks to the net IPO proceeds in FY25E of Eu9.1mn. The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 30.5% on average in FY25-27E. We have not considered M&A transactions in our model, which could represent a solid upside potential.

2024-27E Net (debt) cash bridge

We believe that the EBITDA generated in the coming years, a good control of WC dynamics should generate strong FCF. This should further strengthen the NFP



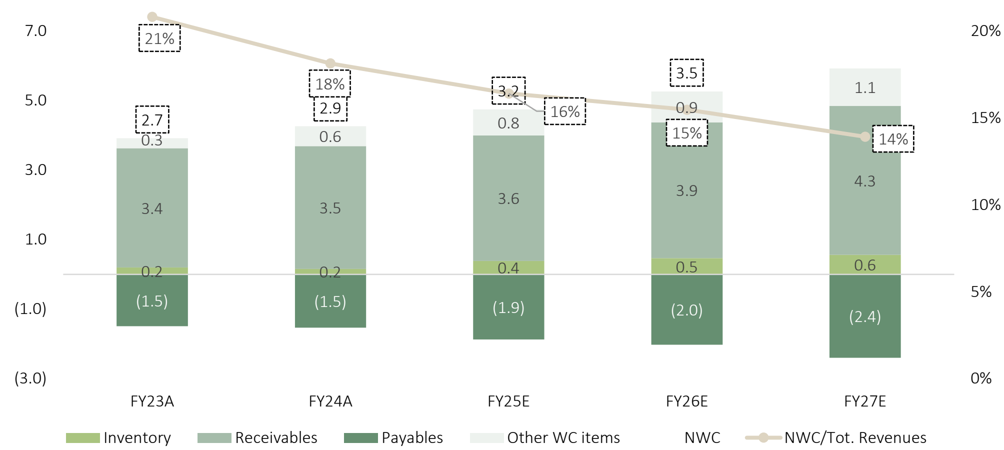
Source: Alantra

NWC dynamics are set to benefit from improved channel mix

The group operates on a made-to-order basis, which helps minimise inventory levels and significantly reduces overstocking risk. We expect this efficient model to be maintained going forward. About payables, the group has historically maintained DPO at around 50 days, a level expected to remain broadly stable over the forecast period. Conversely, DSO is projected to improve significantly, from 81 days in 2024 to 58 days in 2027E. This improvement is primarily driven by a more favorable channel mix, with a gradual reduction in exposure to SSN, which is characterised by slower cash collection cycles, in favor of faster-paying channels such as pharmacies and direct points of sale. Overall, working capital as a percentage of sales is expected to decline from 18.1% in 2024 to 13.9% in 2027.

Evolution of NWC (Eu mn) and NWC/Sales (%) in FY23-27E

Efficient working capital management driven by channel mix optimisation



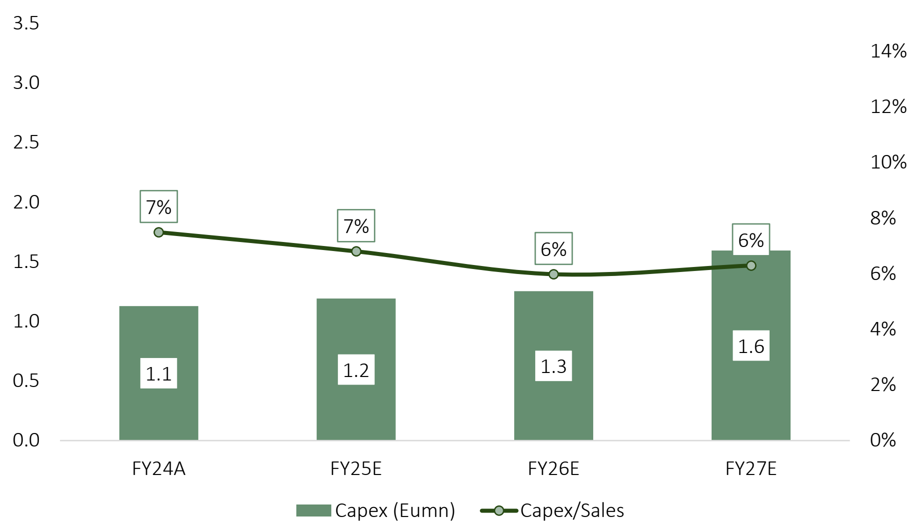
Source: Alantra

R&D-driven capex

The business requires a relatively low level of capex. However, the group is expected to reaffirm its competitive positioning by continuing investing into R&D and product innovation, with an average R&D/sales of around 4% in the forecasted period. All in all, we projected combined capex for Eu4.0mn (6.4% average on sales FY25-27E), mainly factor in maintenance and minor investments required for the expansion of the direct channel, which we expect the group to open on average 2 stores per year.

Capex (Eu mn, FY24-27E) and capex/sales (%) projections

Low capex intensity supports strategic investment in R&D and selective channel expansion



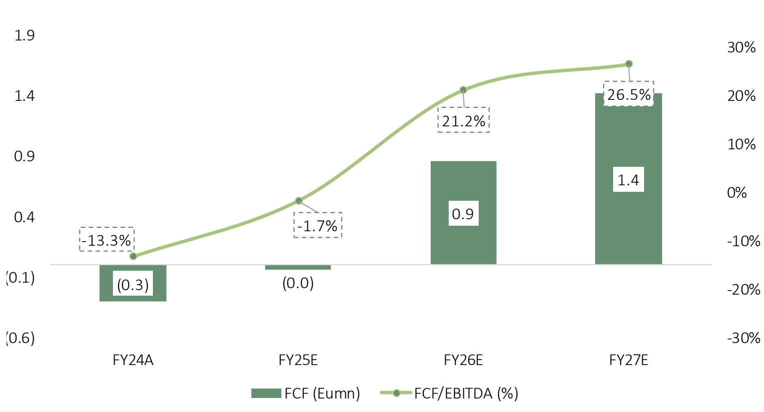
Source: Alantra

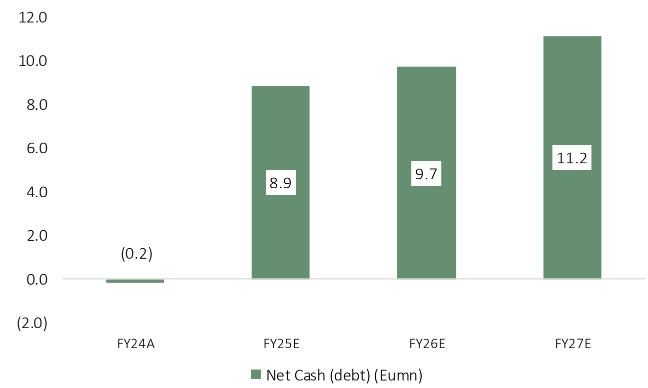
Healthy NFP with attractive FCF/EBITDA set to continue

Otofarma should generate a combined FCF of Eu2.2mn with an EBITDA conversion of 27% by 2027. This should further strengthen the NFP of the group from a net debt position of Eu0.2mn in FY27E to Eu11.2mn. The increase is also driven by the net IPO proceeds of Eu9.1mn, which should fuel additional growth.

FCF evolution (LHS, Eu mn, FY24-27E), FCF/EBITDA conversion (%) and healthy NFP (RHS, Eu mn)

Robust free cash flow generation supports strong deleveraging and improved financial position





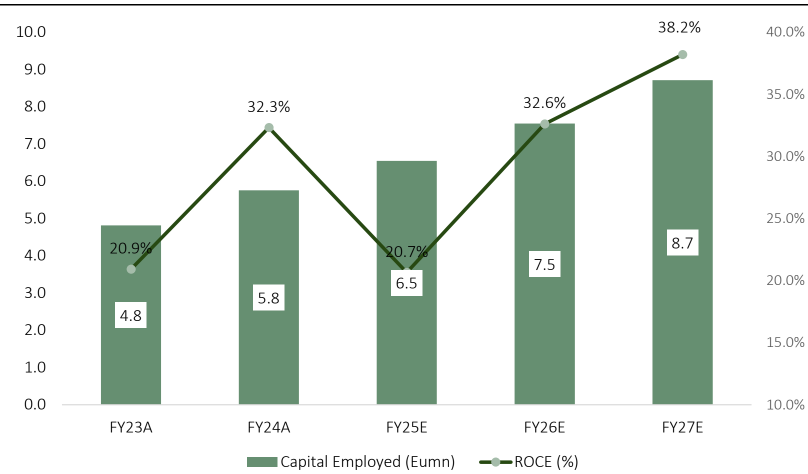
Source: Alantra

A very attractive ROCE of >30% in FY23-25E on average

The asset-light profile coupled with the attractive expected double-digit EBIT margin should allow to post an attractive ROCE (incl. goodwill) of 30.5% on average in FY25E-27E.

Capital employed evolution (Eu mn) and ROCE (%, FY23-27E)

Strong capital return is set to remain valid in the foreseeable future



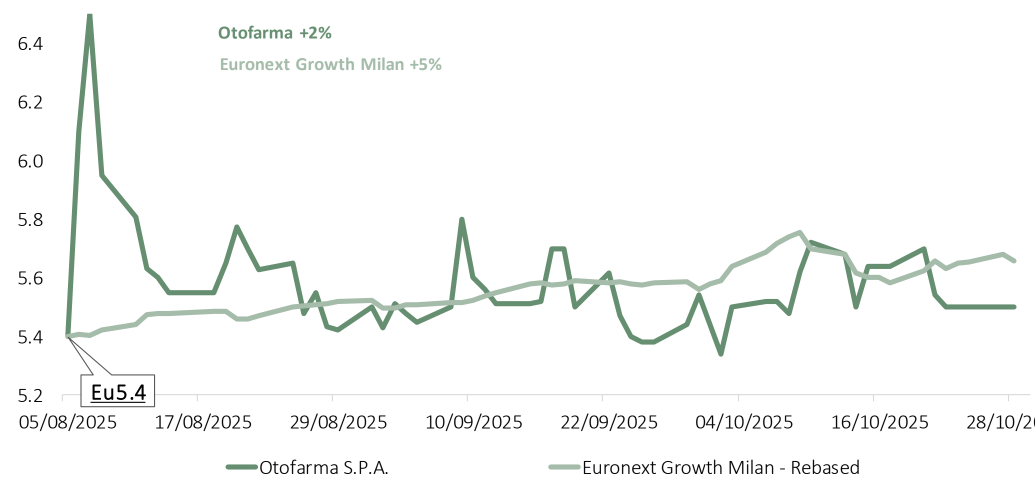
Source: Alantra; Note: ROCE is defined as: Adj. EBIT*(1-Norm. Tax Rate)/(Fixed Assets + NWC)

Valuation: TP of Eu8.0/share

Since its listing on August 6, Otofarma's share price has risen 2%, underperforming the EGM Index (+5%). Our valuation approach combines both DCF (70% weight) and relative methods (30%). For the latter, we found limited availability of fully comparable companies; therefore, we identified two relevant peer clusters: (1) audiology service providers and hearing aid manufacturers, and (2) niche-focused healthcare players with exposure to the pharmacy channel. Otofarma outperforms its hearing aid peers in terms of growth while maintaining similar EBIT and net profit margins, supported by its vertical integration, low capital intensity, and first-mover advantage in the pharmacy channel. As such, we prefer to focus on EV/EBIT FY26E relative to peers. However, we consider the DCF model a more valuable approach, as it provides additional insight into Otofarma's strong long-term cash generation potential. Our 4-year DCF assumptions include a terminal growth rate of 1.5% and a WACC of 8.9%. The weighted average of these methods yields a TP of Eu8.0/share, implying over 40% upside from the current share price. BUY.

Market performance since the IPO

Otofarma share price is up 2% since the IPO



Source: Factset, Alantra

Valuation based on multiples of peers

Otofarma is a vertically integrated player in the hearing care, blending proprietary telemedicine, in-house manufacturing, and a pharmacy-first distribution model. Operating through 4,000+ affiliated pharmacies, it delivers medically certified, custom-made hearing aids with lifetime support at accessible prices. Its capital-light, tech-enabled structure ensures clinical rigor, scalability, and strong alignment with Italy's evolving decentralised healthcare landscape. We did not identify any listed peers offering such a comprehensive and vertically integrated hearing care model cantered on the pharmacy channel. Otofarma boasts in-house production capacity for hearing aids and a distinctive distribution model built on relationships with pharmacists, telemedicine, and patient management. Therefore, we build two clusters of companies operating 1) in the audiology services and hearing aids production segments and 2) as niche-focused healthcare players with exposure to the pharmacy channel.

1. **Vertically integrated global players and independent retailers in audiology services** - We identified a peer panel comprising vertically integrated global players such as Sonova and Demant, which control the full value chain (from product innovation and manufacturing to retail distribution) and by independent retailers like Amplifon, that focus on distribution and service quality, sourcing devices externally.

Peers - Company description, panel I

This is the closest sample of peers in terms of business and products, with Amplifon classified as distribution only player.

Company	Country	Mkt Cap (Eu mn)	Company Description	Key Notes
Hearing aids				
Amplifon SpA	ITALY	3,431	Amplifon SpA is engaged in the distribution, application, and customization of hearing solutions. It contributes to the development of detection and rehabilitation techniques in otology diagnosis, and management of computerized and integrated auditory systems. The firm operates through the following geographical segments: Europe, Middle East and Africa (EMEA); Americas; and Asia-Pacific. The company was founded by Algernon Charles Holland in 1950 and is headquartered in Milan, Italy.	Distribution only
Demant A/S	DENMARK	6,830	Demant A/S engages in the development, manufacture, and sale of products and equipment designed to aid the hearing and communication of individuals. It operates through the following geographical segments: Europe, North America, Asia, Pacific Region, and Rest of World. The company was founded by Hans Demant in 1904 and is headquartered in Smorum, Denmark.	Manufacturing and distribution
GN Store Nord A/S	DENMARK	2,265	GN Store Nord A/S engages in the telecommunications and hearing instruments business. It operates through the following segments: GN Hearing, GN Audio, and Other GN. The firm facilitates communication between people through intelligent hearing, audio, video, and gaming technology. The company was founded by Carl Frederik Tietgen on June 1, 1869 and is headquartered in Ballerup, Denmark.	Manufacturing and distribution
Sonova Holding AG	SWITZERLAND	14,592	Sonova Holding AG engages in the development and production of hearing care solutions. It operates through the Hearing Instruments and Cochlear Implants business segments. The Hearing Instruments segment includes the activities related to the design, development, production, distribution, and servicing of hearing instruments and related products. The Cochlear Implants segment involves the activities relevant to the design, development, production, distribution, and servicing of hearing implants and related products. The firm offers its products under the brands Phonak, Unitron, Hansaton, Connect Hearing, Boots Hearingcare, AudioNova, Geers, and Advanced Bionics. The company was founded in 1947 and is headquartered in Staefa, Switzerland.	Manufacturing and distribution

Source: Factset, Alantra

2. **Niche-focused global healthcare players -** This sample comprises companies from a diverse cross-sector cohort of healthcare and MedTech businesses, spanning chronic care medical devices, self-care products, nutraceuticals, audiology devices, and biotech pharmaceuticals. Each exhibits a degree of vertical integration, managing R&D, manufacturing, and, in many cases, distribution within their niche, demonstrating a focus on tailored healthcare solutions and global reach. Most of them have a presence in the pharmacy channel and offer financial profiles and margins broadly comparable to Otofarma.

Peers – Company description, panel II

All firms operate in specialised healthcare niches, ranging from pharmaceutical substances and wound care to nutraceuticals and aging-related self-care

PEERS Healthcare specialists/Pharmacy channel				
BIOTON S.A.	POLAND	84	BIOTON SA engages in the business of manufacturing medicines and pharmaceutical preparations; and producing pharmaceutical substances. It operates through the following segments: BIOTON S.A. and BIOTON MARKETING AGENCY Sp. z o.o.; BIOLEK Sp. z o.o.; and BIOTON International GmbH. The company was founded on August 24, 1989 and is headquartered in Warsaw, Poland.	Manufacturing/ Presence in Pharmacies
ConvaTec Group Plc	UNITED KINGDOM	5,529	ConvaTec Group Plc operates as holding company, which engages in medical business. Its activities include development, manufacture and sales of medical products and technologies related to therapies for the management of chronic conditions, including products used for advanced chronic and acute wound care, ostomy care and management, continence and critical care, and infusion devices used in the treatment of diabetes and other conditions. The company was incorporated in 1978 and is headquartered in Reading, the United Kingdom.	Manufacturing/ Presence in Pharmacies
PharmaNutra S.p.A.	ITALY	462	Pharmanutra SpA develops nutraceutical products and medical devices. Its Sroscaloidal Iron intends to restore articular and movement ability in osteoarticular affections, consisting of cetilar line. The company was founded by Andrea Lacorte and Roberto Lacorte in 2003 and is headquartered in Pisa, Italy.	Manufacturing/ Presence in Pharmacies
Venture Life Group Plc	UNITED KINGDOM	88	Venture Life Group Plc engages in the development, manufacture, and commercializing of products for the aging population. It operates through the Venture Life Brands and Customer Brands segments. The Venture Life Brands segment includes sales of branded healthcare and cosmetics products, where the brand is owned within the company, direct to retailers and under distribution agreement. The Customer Brands segment refers to the sales of products and services under contract development and manufacturing agreements, where the brand is not owned by the Venture Life Group. The company was founded by Sharon Mary Collins and Jeremy Anthony Philip Randall on December 12, 2005 and is headquartered in Bracknell, the United Kingdom.	Manufacturing/ Presence in Pharmacies

Source: Factset, Alantra

Otofarma presents much higher growth rates than peers with similar EBIT margins despite lower size/volumes. We think that this is possible due to: unique combination of vertical integration, low capital intensity, and first-mover advantage in the pharmacy channel. Unlike traditional audiology players reliant on costly retail networks, Otofarma leverages over 4,000 partner pharmacies as decentralised care hubs, minimising fixed costs while maximising national reach. This asset-light model, coupled with in-house production and proprietary teleaudiology infrastructure, ensures strong industrial margins and efficient patient acquisition.

Financials – Otofarma versus selected peer group

Otofarma offers much higher growth than peers, thanks to the scalability of its business model centered on the still underpenetrated pharmacy channel.

Company	Country	Mkt Cap (Eu mn)	FY25E - FY27E average margins					CAGR FY24A - FY27E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	EPS
OTOFARMA	ITALY	32	17.4%	14.4%	7.4%	6.4%	0.0%	18.9%	21.7%	21.4%	na
Amplifon SpA	ITALY	3,431	24.3%	12.8%	7.4%	4.9%	33.8%	6.4%	7.7%	13.3%	10.3%
Demant A/S	DENMARK	6,830	25.7%	19.2%	12.4%	3.8%	0.0%	6.3%	6.4%	6.0%	9.6%
GN Store Nord A/S	DENMARK	2,265	15.8%	11.0%	6.1%	8.3%	1.9%	1.9%	6.1%	7.9%	16.6%
Sonova Holding AG	SWITZERLAND	14,592	26.7%	20.6%	15.7%	3.8%	40.4%	5.7%	8.1%	8.6%	6.8%
Hearing aids	Average	6,779	23.1%	15.9%	10.4%	5.2%	19.0%	5.1%	7.1%	9.0%	10.8%
	Median	5,130	25.0%	16.0%	9.9%	4.4%	17.9%	6.0%	7.1%	8.3%	9.9%
BIOTON S.A.	POLAND	84	21.7%	7.6%	5.2%	4.8%	0.0%	9.1%	30.5%	nm	nm
ConvaTec Group Plc	UNITED KINGDOM	5,529	27.4%	23.3%	15.9%	5.4%	40.0%	3.5%	7.3%	8.3%	10.9%
PharmaNutra S.p.A.	ITALY	462	27.0%	24.0%	16.3%	2.6%	47.8%	11.5%	12.7%	13.5%	17.4%
Venture Life Group Plc	UNITED KINGDOM	88	20.9%	13.7%	19.7%	0.1%	0.0%	20.3%	-2.4%	33.7%	23.0%
Healthcare specialists/Pharmacy channel	Average	1,541	24.2%	17.1%	14.3%	3.2%	22.0%	11.1%	12.0%	18.5%	17.1%
	Median	275	24.3%	18.5%	16.1%	3.7%	20.0%	10.3%	10.0%	13.5%	17.4%

Source: Factset, Alantra

Trading multiples, Hearing aids sample

Company	Country	Mkt Cap (Eu mn)	EV/Sales FY25E	EV/Sales FY26E	EV/Sales FY27E	EV/EBITDA FY25E	EV/EBITDA FY26E	EV/EBITDA FY27E	EV/EBIT FY25E	EV/EBIT FY26E	EV/EBIT FY27E	PE FY25E	PE FY26E	PE FY27E
OTOFARMA	ITALY	32	1.3 x	1.1 x	0.8 x	9.5 x	5.5 x	3.9 x	12.2 x	6.5 x	4.5 x	29.2 x	17.8 x	12.8 x
Prem. (disc.) to Int. CSP Median			*-45%*	*-51%*	*-58%*	*-15%*	*-42%*	*-54%*	*-23%*	*-53%*	*-62%*	*46%*	*9%*	*-10%*
Amplifon SpA	ITALY	3,431	1.9 x	1.7 x	1.6 x	8.1 x	7.3 x	6.4 x	15.5 x	13.7 x	11.7 x	19.9 x	16.3 x	14.1 x
Demant A/S	DENMARK	6,830	2.9 x	2.6 x	2.3 x	12.0 x	10.5 x	9.3 x	16.3 x	13.9 x	12.2 x	20.0 x	16.4 x	14.1 x
GN Store Nord A/S	DENMARK	2,265	1.5 x	1.4 x	1.3 x	10.4 x	8.6 x	7.6 x	15.0 x	12.3 x	10.2 x	16.9 x	12.2 x	9.8 x
Sonova Holding AG	SWITZERLAND	14,592	3.7 x	3.4 x	3.1 x	14.2 x	12.9 x	11.5 x	18.8 x	16.5 x	14.9 x	21.9 x	19.7 x	17.8 x
PEERS Hearing aids	Average	6,779	2.5 x	2.3 x	2.1 x	11.2 x	9.8 x	8.7 x	16.4 x	14.1 x	12.2 x	19.7 x	16.2 x	14.0 x
	Median	5,130	2.4 x	2.2 x	2.0 x	11.2 x	9.6 x	8.5 x	15.9 x	13.8 x	11.9 x	20.0 x	16.3 x	14.1 x

Company	Country	Mkt Cap (Eu mn)	P/BV FY25E	P/BV FY26E	P/BV FY27E	Dividend Yield FY25E	Dividend Yield FY26E	Dividend Yield FY27E	FCF Yield FY25E	FCF Yield FY26E	FCF Yield FY27E	Net Debt/EBITDA FY25E	Net Debt/EBITDA FY26E	Net Debt/EBITDA FY27E
Amplifon SpA	ITALY	3,431	2.8 x	2.6 x	2.4 x	1.9%	2.0%	2.4%	5.8%	6.9%	8.2%	1.9 x	1.7 x	1.4 x
Demant A/S	DENMARK	6,830	4.5 x	3.7 x	3.3 x	0.0%	0.0%	0.0%	5.0%	5.5%	6.8%	2.8 x	2.5 x	2.0 x
GN Store Nord A/S	DENMARK	2,265	1.4 x	1.3 x	1.2 x	0.0%	0.0%	1.0%	4.7%	6.0%	7.3%	3.6 x	2.8 x	2.3 x
Sonova Holding AG	SWITZERLAND	14,592	4.7 x	4.2 x	3.7 x	1.9%	2.1%	2.2%	4.7%	5.4%	6.0%	0.8 x	0.5 x	0.1 x
PEERS Hearing aids	Average		3.3 x	2.9 x	2.6 x	1.0%	1.0%	1.4%	5.1%	5.9%	7.1%	2.3 x	1.9 x	1.5 x
	Median		3.6 x	3.2 x	2.8 x	1.0%	1.0%	1.6%	4.9%	5.7%	7.1%	2.4 x	2.1 x	1.7 x

Source: Alantra estimates

Trading multiples, Healthcare specialists/Pharmacy channel sample

Company	Country	Mkt Cap (Eu mn)	EV/Sales FY25E	EV/Sales FY26E	EV/Sales FY27E	EV/EBITDA FY25E	EV/EBITDA FY26E	EV/EBITDA FY27E	EV/EBIT FY25E	EV/EBIT FY26E	EV/EBIT FY27E	PE FY25E	PE FY26E	PE FY27E
BIOTON S.A.	POLAND	84	1.7 x	1.4 x	1.1 x	9.1 x	6.5 x	4.5 x	nm	18.4 x	9.0 x	nm	26.0 x	14.3 x
ConvaTec Group Plc	UNITED KINGDOM	5,529	3.1 x	2.8 x	2.6 x	11.7 x	10.4 x	9.2 x	13.9 x	12.2 x	10.7 x	18.0 x	16.1 x	14.3 x
PharmaNutra S.p.A.	ITALY	462	3.4 x	2.9 x	2.5 x	12.9 x	11.0 x	9.5 x	14.9 x	12.5 x	10.8 x	22.3 x	19.1 x	17.0 x
Venture Life Group Plc	UNITED KINGDOM	88	1.0 x	0.8 x	0.5 x	5.3 x	3.6 x	2.3 x	9.0 x	5.6 x	3.3 x	15.4 x	10.9 x	8.8 x
PEERS Healthcare	Average	1,541	2.3 x	2.0 x	1.7 x	9.8 x	7.9 x	6.4 x	12.6 x	12.2 x	8.4 x	18.6 x	18.0 x	13.6 x
specialists/Pharmacy channel	Median	275	2.4 x	2.1 x	1.8 x	10.4 x	8.4 x	6.9 x	13.9 x	12.4 x	9.8 x	18.0 x	17.6 x	14.3 x

Company	Country	Mkt Cap (Eu mn)	P/BV FY25E	P/BV FY26E	P/BV FY27E	Dividend Yield FY25E	Dividend Yield FY26E	Dividend Yield FY27E	FCF Yield FY25E	FCF Yield FY26E	FCF Yield FY27E	Net Debt/EBITDA FY25E	Net Debt/EBITDA FY26E	Net Debt/EBITDA FY27E
BIOTON S.A.	POLAND	84	na	na	na	na	na	na	na	na	na	na	na	na
ConvaTec Group Plc	UNITED KINGDOM	5,529	3.7 x	3.4 x	3.1 x	2.2%	2.5%	2.8%	4.2%	5.8%	6.2%	1.5 x	1.1 x	0.7 x
PharmaNutra S.p.A.	ITALY	462	na	na	na	2.0%	2.3%	2.9%	4.6%	5.5%	6.4%	nm	nm	nm
Venture Life Group Plc	UNITED KINGDOM	88	0.9 x	0.9 x	0.8 x	0.0%	0.0%	0.0%	5.3%	8.3%	10.2%	nm	nm	nm
PEERS Healthcare	Average		2.3 x	2.1 x	2.0 x	1.4%	1.6%	1.9%	4.7%	6.5%	7.6%	1.5 x	1.1 x	0.7 x
specialists/Pharmacy channel	Median		2.3 x	2.1 x	2.0 x	2.0%	2.3%	2.8%	4.6%	5.8%	6.4%	1.5 x	1.1 x	0.7 x

ource: Alantra estimates

Our relative valuation method, based on EV/EBIT FY25E-26E of Hearing aids peers, delivers a TP of Eu6.2/share.

Valuation (Eu mn), using peers' multiples

	Hearing aids		
Eu mn	FY25E	FY26E	FY27E
EBIT reported	1.5	3.4	4.7
EV/EBIT Peer Group	15.9x	13.8x	11.9x
Discount	*0%*	*0%*	*0%*
EV based on multiples	23.7	47.6	55.6
Net Financial Position	0.0	0.0	0.0
Adjustments	0.0	0.0	0.0
Equity Value on EV/EBIT	23.7	47.6	55.6
Eu Per Share	4.1	8.3	9.7

Source: Alantra

Valuation based on DCF approach

We view the DCF model as the most appropriate approach, as it better captures Otofarma's strong long-term cash generation profile. Based on a WACC of 8.9% and a terminal growth rate of 1.5%, the model yields a TP of Eu8.8/share.

Otofarma valuation based on DCF

(Eu mn)	FY24A	FY25E	FY26E	FY27E	FY28E	TV
Value of Production	15.9	18.8	22.3	27.0	30.4	30.8
YoY growth	-	*19%*	*19%*	*21%*	*13%*	
EBITDA	2.3	2.0	4.1	5.4	6.1	5.9
EBITDA Margin	-	*10.8%*	*18.2%*	*19.9%*	*20.0%*	*19.0%*
taxes on EBIT	(1.1)	(0.7)	(1.6)	(2.1)	(2.4)	(0.9)
Non recurring Cash-out	0.0	0.0	0.0	0.0	0.0	0.0
NWC Change	(0.3)	(0.1)	(0.4)	(0.3)	(0.2)	(0.0)
Capex	(1.1)	(1.2)	(1.3)	(1.6)	(1.8)	(1.1)
Capex/Revenues	*-7%*	*-6%*	*-6%*	*-6%*	*-6%*	*-4%*
Free cash flow		(0.0)	0.9	1.4	1.7	51.0
Disc. Free Cash Flow		(0.0)	0.8	1.2	1.3	38.8

Total Disc. FCF	3.2
Terminal value	38.8
Total EV (Eu mn)	42.0
NFP FY25E	8.9
Adjustments FY25E	(0.4)
TOTAL Equity Value	50.6
# of shares (mn)	5.8
Fair Value per share (Eu)	8.8

Implied multiples	FY24A	FY25E	FY26E	FY27E	FY28E
EV/ Sales	3.2 x	2.2 x	1.9 x	1.5 x	1.5 x
EV/ Adj. EBITDA	22.2 x	20.7 x	10.2 x	7.5 x	7.5 x
EV/Adj. EBIT	26.5 x	28.3 x	12.0 x	8.6 x	8.6 x
P/Adj. E	72.3 x	74.0 x	28.4 x	20.4 x	20.4 x

WACC	*8.9%*
Terminal Growth	*1.5%*

Source: Alantra

Valuation with sensitivity based on DCF

		9.9%	9.4%	8.9%	8.4%	7.9%
Terminal Growth	2.0%	8.2	8.7	9.3	10.0	10.8
	1.8%	8.0	8.5	9.0	9.7	10.4
	1.5%	7.8	8.3	8.8	9.4	10.1
	1.3%	7.6	8.1	8.6	9.1	9.8
	1.0%	7.5	7.9	8.3	8.9	9.5

Source: Alantra

Main risks

We believe that the main risks related to Otofarma's business can be summarised in the following factors:

Large player entrance in the pharmacy channel. The hearing care pharmacy market is still largely underpenetrated and may attract the interest of larger players. Should incumbents enter this segment, competition on pricing and service visibility could intensify. Otofarma retains a clear first-mover advantage and embedding tele-audiology infrastructure that would be challenging and time-consuming for newcomers to replicate. Moreover, for major players that have heavily invested in branded retail chains, such a shift would entail a fundamental overhaul of their business model, making it highly unattractive and economically disincentivised.

Supplier base concentration. Otofarma's primary supplier accounts for approximately 80% (i.e. Eu1.9mn) of total raw material costs in 2024. While this concentration may appear high, it reflects a structural feature of the market, where a few players operate within an oligopolistic framework and serve as exclusive sourcing channels.

Geographical concentration. Otofarma currently operates exclusively in the Italian market, leveraging the widespread use of pharmacies as decentralised healthcare providers. This domestic focus increases exposure to country-specific regulatory dynamics. Nonetheless, the group has consistently demonstrated adaptability to evolving frameworks by reconfiguring its service protocols and products.

Dependency on few key people. The company relies on a small group of key individuals, most notably the Bartolomucci family, who have guided the development of the company since its foundation. However, the active involvement of the second generation ensures business continuity and strategic alignment.

Execution risk on pharmacy activation. While the affiliated network exceeds 4,000 pharmacies, only around 49% are currently active. A slower-than-expected ramp-up in activation (or conversion into active pharmacies) may dilute channel productivity and constrain growth. The roll-out of dedicated Area Managers, coupled with structured field coverage and CRM integration, is designed to strengthen conversion and deepen engagement across the network.

Limited traction on direct channels. The direct channel, with three new stores opening annually, aims to support brand visibility and margin retention, driven by the new verticals such as optical and SSN channel (still in their early stages). Should uptake in these segments prove slower than expected, revenue diversification could be delayed. Our forecasts are based on conservative assumptions, and the company retains flexibility in scaling investment once initial conversion metrics are validated.

Turnover and retention of independent sales force. The pharmacy model depends on a network of independent sales consultants, whose stability and performance are critical to the group. High turnover or difficulties in retaining experienced profiles could lead to patchy execution across the Italian regions. Otofarma is strengthening loyalty through clearer regional coordination, structured onboarding and recurring engagement mechanisms designed to reduce attrition.

Regulatory framework. The business model currently benefits from a favourable regulatory environment that recognises pharmacies as compliant providers of audiology services, but any shift in legislation restricting delegated medical activities could limit scalability. The company operates under MDR-certified protocols and is developing parallel channels to provide revenues diversification and operational continuity.

M&A execution risk. Otofarma's strategic roadmap includes selective M&A in adjacent verticals and potentially international markets. Given that growth to date has been entirely organic, the group has limited experience in transaction execution and post-deal integration. The current M&A pipeline remains valid and would be a significant growth accelerator.

Appendix

OTOFARMA – Revenue breakdown

Eu mn	FY23A	FY24A	FY25E	FY26E	FY27E	$CAGR_{24-27}$
Pharmacies channel	10.4	13.1	15.2	18.2	22.2	*19.3%*
% YoY	-	*25.9%*	*16.0%*	*20.4%*	*21.7%*	
% Total Sales	*88.9%*	*86.8%*	*86.4%*	*87.0%*	*87.6%*	
Direct channel	1.3	1.4	1.7	1.9	2.2	*15.7%*
% YoY	-	*5.9%*	*22.0%*	*12.6%*	*12.6%*	
% Total Sales	*11.3%*	*9.3%*	*9.7%*	*9.2%*	*8.5%*	
Accessories	0.3	0.6	0.7	0.8	1.0	*17.6%*
% YoY	-	*110.1%*	*12.6%*	*19.6%*	*20.8%*	
% Total Sales	*2.4%*	*3.9%*	*3.8%*	*3.8%*	*3.8%*	
Total	12.0	15.1	17.5	21.0	25.3	*18.9%*

Source: Company data, Alantra

OTOFARMA – P&L

Eu mn	FY23A	FY24A	FY25E	FY26E	FY27E
Total Sales	11.7	15.1	17.5	21.0	25.3
YoY Growth	-	29.0%	16.4%	19.6%	20.8%
Change in WIP	0.1	0.1	0.2	0.1	0.1
YoY Growth	-	-33.8%	164.5%	-67.2%	27.1%
% of net sales	1.1%	0.6%	1.3%	0.4%	0.4%
Increases in fixed assets for internal works	0.0	0.6	0.7	0.8	1.0
YoY Growth	-	-	-	-	-
% of net sales	0.0%	3.8%	4.0%	4.0%	4.0%
Other revenues	0.4	0.1	0.4	0.4	0.5
YoY Growth	-	-64.7%	163.7%	19.6%	20.8%
on sales %	3.2%	0.9%	2.0%	2.0%	2.0%
Value of Production	12.2	15.9	18.8	22.3	27.0
YoY Growth	-	30.1%	18.7%	18.5%	20.9%
Raw materials	(2.0)	(2.4)	(3.0)	(3.6)	(4.3)
YoY Growth	-	17.0%	27.3%	18.5%	19.4%
on sales %	-16.8%	-15.1%	-16.2%	-16.2%	-16.0%
Services	(6.2)	(7.4)	(9.1)	(9.7)	(11.5)
YoY Growth	-	20.3%	22.6%	6.3%	18.9%
on sales %	-50.8%	-47.0%	-48.5%	-43.5%	-42.8%
Personnel	(1.8)	(2.3)	(3.1)	(3.5)	(4.1)
YoY Growth	-	28.8%	35.9%	11.9%	17.9%
on sales %	-14.6%	-14.4%	-16.5%	-15.6%	-15.2%
Rents	(0.4)	(0.5)	(0.6)	(0.8)	(1.0)
YoY Growth	-	22.3%	22.8%	47.4%	24.1%
on sales %	-3.1%	-2.9%	-3.0%	-3.7%	-3.8%
Other Expenses	(0.4)	(1.0)	(0.9)	(0.6)	(0.6)
YoY Growth	-	151.8%	-2.9%	-33.5%	-0.7%
on sales %	-3.2%	-6.1%	-5.0%	-2.8%	-2.3%
Total Costs	(10.8)	(13.6)	(16.8)	(18.2)	(21.6)
YoY Growth	-	25.8%	23.9%	8.7%	18.4%
on Total Revenues %	-88.3%	-85.5%	-89.2%	-81.8%	-80.1%
EBITDA Reported	1.4	2.3	2.0	4.1	5.4
YoY Growth	-	62.2%	-11.5%	99.3%	32.0%
on Total Revenues %	12.2%	14.5%	10.8%	18.2%	19.9%
D&A	(0.1)	(0.4)	(0.5)	(0.6)	(0.7)
YoY Growth	-	249.1%	48.0%	13.6%	14.0%
on total assets %	-	-11.0%	-10.0%	-10.0%	-10.0%
EBIT	1.3	1.9	1.5	3.4	4.7
YoY Growth	-	54.8%	-22.9%	130.8%	35.2%
on Total Revenues %	10.3%	12.2%	7.9%	15.4%	17.3%
Net financial income (costs)	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)
YoY Growth	-	104.8%	-36.3%	0.0%	0.0%
on Total Revenues %	-1.0%	-1.6%	-1.6%	-1.6%	-1.6%
on Total Debt %	-6.1%	-9.4%	-6.0%	-6.0%	-6.0%
Pre-tax profits	1.1	1.7	1.3	3.3	4.5
YoY Growth	-	49.3%	-20.9%	146.7%	37.0%
on Total Revenues %	9.2%	10.6%	7.1%	14.7%	16.7%
Taxes	(0.4)	(1.0)	(0.7)	(1.5)	(2.0)
tax rate %	-39.9%	-58.7%	49.0%	46.0%	45.0%
Net Profit	0.7	0.7	0.7	1.8	2.5
YoY Growth	39.9%	3.2%	-2.3%	160.3%	39.5%
on Total Revenues %	5.6%	4.4%	3.6%	8.0%	9.2%
Net Profit Adj.	0.8	1.4	1.1	1.8	2.5
YoY Growth	72.8%	63.5%	-20.8%	64.1%	39.5%
on Total Revenues %	6.9%	8.6%	5.8%	8.0%	9.2%

Source: Company data, Alantra

OTOFARMA – Balance Sheet

(Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Inventory	0.2	0.2	0.4	0.5	0.6
% sales	*1.6%*	*1.0%*	*2.1%*	*2.1%*	*2.1%*
Days of Inventory	*6*	*4*	*8*	*8*	*8*
Receivables	3.4	3.5	3.6	3.9	4.3
% sales	*28.2%*	*22.3%*	*19.2%*	*17.5%*	*15.9%*
DSO	*103*	*81*	*70*	*64*	*58*
Payables	(1.5)	(1.5)	(1.9)	(2.0)	(2.4)
% costs	*13.3%*	*10.6%*	*10.7%*	*10.2%*	*10.1%*
Days of payables	*61*	*50*	*50*	*50*	*50*
Other current assets	1.1	0.8	0.9	1.1	1.3
% sales	*9.2%*	*4.9%*	*5.0%*	*5.0%*	*5.0%*
Other current liabilities	(0.8)	(0.2)	(0.2)	(0.2)	(0.3)
% sales	*-6.8%*	*-1.3%*	*-1.0%*	*-1.0%*	*-1.0%*
Net Working Capital	2.4	2.7	2.9	3.2	3.5
% sales	20.0%	17.2%	15.3%	14.6%	13.1%
Proprierty, plant and equipment	1.3	1.4	2.5	3.6	5.0
Intangible assets	0.8	1.4	1.0	0.5	0.0
o/w goodwill					
Financial assets	0.3	0.2	0.2	0.2	0.2
Others/Right of use	0.0	0.0	0.0	0.0	0.0
Total fixed assets	2.4	3.0	3.7	4.3	5.2
Employee pension benefits	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)
Other non current assets/liabilities (funds)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Invested Capital	4.4	5.3	6.0	6.9	8.0
Short Term debts	0.0	0.0	0.0	0.0	0.0
Long Term debts	2.0	2.7	2.7	2.7	2.7
Cash	(0.9)	(2.5)	(11.6)	(12.4)	(13.9)
Net financial position	1.1	0.2	-8.9	-9.7	-11.2
Share capital	1.1	1.1	10.2	10.2	10.2
Reserves	1.5	1.9	4.0	4.7	6.4
Net result	0.7	2.1	0.7	1.8	2.5
Shareholders Equity	3.3	5.1	14.9	16.7	19.1
Source of Funds	4.4	5.3	6.0	6.9	8.0

Source: Company data, Alantra

OTOFARMA – Cash-flow statement

(Eu mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Net Profit	0.7	0.7	0.7	1.8	2.5
Interests	0.1	0.3	0.2	0.2	0.2
Taxes	0.4	1.0	0.7	1.5	2.0
Losses (gains) of disposal of fixed assets	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
D&A	0.1	0.4	0.5	0.6	0.7
Change in net working capital		(0.3)	(0.1)	(0.4)	(0.3)
Interests paid	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)
Taxes paid	(0.4)	(1.0)	(0.7)	(1.5)	(2.0)
Use of funds	0.4	0.1	0.1	0.1	0.1
Other operating items	(1.2)	0.0			
Cash flow from operating activities		0.8	1.2	2.1	3.0
Intangibles	0.0	(0.1)	(0.1)	(0.1)	(0.2)
Tangibles	0.0	(1.0)	(1.1)	(1.2)	(1.4)
Financials	0.0	0.1			
Acquisitions/Right of use	0.0	0.0			
Disposals	0.0	0.0			
Cash flow from investment activities	0.0	(1.0)	(1.2)	(1.3)	(1.6)
New short term debt					
New M/L term debt					
Remboursement					
Change in shareholders equity			9.1		
Dividends					
Other items	(1.1)	1.1			
Change in NFP	(1.1)	1.0	9.1	0.9	1.4
NFP at year beginning	0.0	(1.1)	(0.2)	8.9	9.7
NFP at YE (debt)/cash	(1.1)	(0.2)	8.9	9.7	11.2
Net Debt/EBITDA	*0.8x*	*0.1x*	*nm*	*nm*	*nm*

Source: Company data, Alantra

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