

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu36.10 - Target: Eu46.00

A Successful Paradigm: Iron, Innovation, International Growth

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Stock Rating

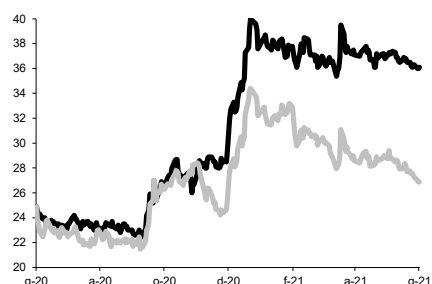
Rating: BUY (new coverage)

Target Price (Eu): Eu46.00 (new coverage)

Next Event

1H Results Out 6 September

PHARMANUTRA - 12M Performance



— PHARMANUTRA — PHARMANUTRA Rel. to FTSE All Shares (Reb.)

Stock Data

Reuters code: PHNU.MI

Bloomberg code: PHN IM

Performance	1M	3M	12M
Absolute	-1.9%	-2.2%	45.0%
Relative	-7.1%	-13.0%	10.7%
12M (H/L)	40.00/22.40		
3M Average Volume (th):	5.38		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	349
Total Mkt Cap (Eu mn):	349
Mkt Float - Ord (Eu mn):	122
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	42
BVPS (Eu):	4.32
P/BV:	8.4
Net Financial Position (Eu mn):	18
Enterprise Value (Eu mn):	332

■ **A leading firm operating in two growing niches at the crossroads of the nutraceutical and pharma industries:** founded in 2003 by the Lacorte brothers, the PharmaNutra Group has a very peculiar hybrid positioning at the crossroads of the nutraceutical and pharma sectors, developing quality nutritional supplements and medical devices that are highly functional for patient's health and recovery. With products distributed in Italy (proprietary network of c.150 sales representatives) and worldwide (via a consolidated network of top-class partners), in less than 20 years the Group has become a leading player in the iron-based oral food supplements market (SiderAL line, c.81% of finished product revenues of Eu54mn in FY20), where it boasts major patents linked to Sucrosomial® Technology (no expiry before 2032) and enjoys an overwhelming market share in value terms (>50%), with retail prices well above the average. PharmaNutra is also considered to be emerging as a top player in medical devices for the recovery of joint capacity (Cetilar line) with >3% share of the value of its reference market. Foreign sales currently represent nearly 1/3 of revenues and 2/3 of volumes, due to the indirect distribution model, although profitability is fairly similar between domestic and foreign markets.

■ **Medium to long-term business development based on 4 growth drivers:** i) the strengthening of domestic leadership in the oral iron supplement market, with the expansion of the sales representative network to c. 200 employees over the next 18 months; ii) international growth (with tailored strategies in some key countries Germany, France, UK, USA); iii) constant focus on R&D (fostered by new HQ in Pisa to host cutting-edge biology laboratory); and iv) new product launches.

■ **Estimates:** we believe PharmaNutra's leadership in iron supplements and future growth prospects are still undervalued by the market. We assume a 2020-23 top line CAGR of +13% (2015-20 CAGR +17%), entirely organic before any M&A upside, and margins in the region of 26% (28% in FY20) to reflect the resumption of investments in R&D, marketing and communication in the post-Covid environment.

■ **Initiating coverage with BUY recommendation; target Eu46:** thanks to its unchallenged leadership on solid oral iron supplements, high entry barriers due to innovation protection and a relentless R&D commitment to new product launches, PharmaNutra looks very well placed in a steadily-growing industry. Furthermore, the company has considerable room to outstrip market growth trends, leveraging on the expansion of salesforce coverage in Italy, launch of new products and the resumption of market activities in the post covid-environment, but also the opportunity to gradually increase its presence abroad, especially in key countries where it has huge growth potential, adding more visibility on long-term sustainable development. Application of a DCF model to our forecasts yields an equity value of c.Eu447mn, resulting in a target price of €46 per share, i.e. potential upside of 27% to the market price. In addition, we are not ruling out the possibility that short-term organic growth could be further boosted by M&A (we estimate Eu60-70mn firepower). The stock is currently trading at 21/18x 2021/22 EV/EBITDA, a discount of c.20% to selected peers, and at 33/28x on 2021/22 P/E (discount c.25%).

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	54	56	62	72	81
EBITDA Adj (Eu mn)	13	16	16	18	21
Net Profit Adj (Eu mn)	8	12	11	12	14
EPS Adj (Eu)	0.874	1.198	1.092	1.275	1.425
DPS (Eu)	0.460	0.670	0.546	0.637	0.713
EV/EBITDA Adj	12.9	13.9	21.0	18.0	15.5
EV/EBIT Adj	14.0	15.2	22.8	19.5	17.1
P/E Adj	41.3	30.1	33.1	28.3	25.3
Div. Yield	1.3%	1.9%	1.5%	1.8%	2.0%
Net Debt/EBITDA Adj	-1.0	-1.2	-1.1	-1.0	-1.1

PHARMANUTRA – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	47	54	56	62	72	81
EBITDA	13	13	16	16	18	21
EBIT	12	12	13	15	17	19
Financial Income (charges)	-0	-0	0	0	0	0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	12	12	13	15	17	19
Taxes	-3	-4	1	-4	-5	-5
Tax rate	27.8%	30.7%	-5.8%	27.5%	27.5%	27.5%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	8	14	11	12	14
EBITDA Adj	12	13	16	16	18	21
EBIT Adj	11	12	15	15	17	19
Net Profit Adj	9	8	12	11	12	14
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	10	10	10	10	10	10
Total Shares Outstanding (mn) - Year End	10	10	10	10	10	10
EPS f.d	0.884	0.874	1.454	1.092	1.275	1.425
EPS Adj f.d	0.884	0.874	1.198	1.092	1.275	1.425
BVPS f.d	2.525	2.906	3.897	4.319	5.048	5.836
Dividend per Share ORD	0.500	0.460	0.670	0.546	0.637	0.713
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	56.6%	52.7%	46.1%	50.0%	50.0%	50.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	9	9	16	12	14	16
Change in NWC	-3	3	-5	-1	-2	-2
Capital Expenditure	-1	-5	-1	-6	-7	-2
Other Cash Items	-0	-0	1	0	0	0
Free Cash Flow (FCF)	5	7	11	5	5	12
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-3	-5	-4	-6	-5	-6
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	2	2	8	-1	-0	6
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	6	11	11	15	21	21
Net Working Capital	9	7	10	11	13	14
Long term Liabilities	-2	-3	-2	-2	-2	-2
Net Capital Employed	13	15	18	24	31	33
Net Cash (Debt)	11	14	19	18	18	24
Group Equity	24	28	38	42	49	56
Minorities	0	0	0	0	0	0
Net Equity	24	28	38	42	49	56
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	138	184	243	349	349	349
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	11	14	19	18	18	24
Enterprise Value	126	170	223	332	332	326
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	25.4%	24.6%	28.4%	25.6%	25.8%	26.0%
EBIT Adj Margin	24.0%	22.8%	26.1%	23.6%	23.8%	23.5%
Gearing - Debt/Equity	-46.5%	-48.2%	-51.3%	-42.9%	-35.8%	-42.2%
Interest Cover on EBIT	192.2	1743.9	nm	nm	nm	nm
Net Debt/EBITDA Adj	-1.0	-1.0	-1.2	-1.1	-1.0	-1.1
ROACE*	91.1%	88.3%	80.2%	68.8%	61.5%	59.3%
ROE*	35.0%	32.2%	35.2%	26.6%	27.2%	26.2%
EV/CE	9.6	12.3	13.5	15.7	12.0	10.2
EV/Sales	2.7	3.2	4.0	5.4	4.6	4.0
EV/EBITDA Adj	10.7	12.9	13.9	21.0	18.0	15.5
EV/EBIT Adj	11.3	14.0	15.2	22.8	19.5	17.1
Free Cash Flow Yield	1.5%	1.9%	3.2%	1.4%	1.4%	3.6%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales		15.0%	5.3%	9.3%	15.9%	13.1%
EBITDA Adj		11.3%	21.5%	-1.6%	16.8%	14.1%
EBIT Adj		9.2%	20.7%	-1.3%	16.8%	11.9%
Net Profit Adj		-1.2%	66.4%	-24.9%	16.8%	11.8%
EPS Adj		-1.2%	37.1%	-8.9%	16.8%	11.8%
DPS		-8.0%	45.7%	-18.5%	16.8%	11.8%

*Excluding extraordinary items

Source: Intermonte SIM estimates

Contents

SWOT Analysis	4
The Company at a Glance.....	5
Business Model: An Integrated Value Chain.....	7
R&D: Unique Know How and IP Protection Offering High Entry Barriers.....	10
Sucrosomial Technology	10
Patents on Proprietary Technologies	11
Covid-19 Has Not Reduced Company Efforts on R&D	12
Product Portfolio: a Mix of Successful Brands and New Launches to Come.....	13
SiderAL: Undisputed Leadership in the Oral Iron Supplements Market	13
Cetilar: Gaining Visibility among Topical Painkillers	18
PharmaNutra's Brands	19
Junia Pharma's Brands	20
International Presence: a Gradual Path towards Long Term Sustainable Growth	21
Future Strategy in 4 Pillars	22
Historical Financials: Steady EBITDA Growth Mirroring Top-Line Trend	24
Estimates: Still Huge Room to Grow.....	29
2021-23 Intermonte Estimates: Comparison with Consensus	31
Peers: Unique Positioning Makes Comparison Difficult.....	32
DCF Valuation: Unlocking the Hidden Value.....	34
APPENDIX	36
Management Team – Board of Directors	36
Shareholder Structure	38
Shareholders' Agreement and 3-Year Lock-up	38
Certifications	39
Nutraceutical Industry: a hybrid market with increasing opportunities	40
Regulation	40
The European Nutraceutical market	41
Overview of the Italian Food Supplements market	42
History: a Continuous Journey of Innovation and Growth	44
Group structure	45

SWOT Analysis

Strengths

- Unchallenged leadership position in the fast-growing oral iron supplement niche market (>50% market share)
- Intellectual property protection on technologies (Sucrosomial® one); no patents expiring before 2032
- Widespread salesforce (c.150 single-firm agents) in the domestic market
- Attractive market trends for Nutraceutical sector
- Product portfolio highly marketable to the medical profession: quality recognised by physicians
- An “asset-light” business model ensuring cash generation and a high return on capital
- PHN products positioned just below pure pharmaceutical formulations, distinct from generic functional food/nutritional supplements

Opportunities

- International growth: enlargement of product portfolio with existing partners, gradual penetration of key countries (UK, France, Germany, China, Japan and USA) with tailored strategies
- Iron deficiency anaemia remains a major problem in developed countries, IDA therapy market expected to register a CAGR'19-24 of nearly 7.2%
- Development of products in new therapeutic fields, as well as new applications for existing products.
- Strong potential uptake for ApportAL® in the post-Covid environment (efficacy and nutritional approach recommended for post Covid-19 fatigue recovery)

Weaknesses

- Pipeline highly concentrated on iron-based products (SiderAL© line c. 81% of sales in FY20)
- Overwhelming presence in nutraceutical industry with lower barriers to entry compared to the pharma sector
- Subscale in a sector typically dominated by large global players
- No M&A track record abroad so far
- Dependence on third-party sale distribution agreements internationally

Threats

- Heightened competition from existing products or new alternatives in terms of quality, price and brand awareness
- Slower-than-expected international expansion (e.g. delays in granting of new patents)
- Regulatory limits on food supplement administration (e.g. new therapeutic protocols restricting how supplements can be taken or the selling prices)
- The increasing convergence between pharmaceutical and nutraceutical sectors may lead to higher standard clinical data on finished products, pushing companies into extra R&D efforts

Source: Intermonte SIM

The Company at a Glance

Founded and managed by the Lacorte brothers, PharmaNutra S.p.A was founded in 2003 with the aim of developing nutritional supplements and innovative medical devices, overseeing the whole production process from the development of proprietary raw materials to the distribution of the finished product. Manufacturing of finished products is outsourced to qualified third-party Contract Manufacturing Operators (CMO).

The structure of PharmaNutra Group (hereinafter also “PHN”, the “Group” the “Company”) consists of PharmaNutra S.p.A and its subsidiaries Junia Pharma S.r.l. (“Junia Pharma”) and Alesco S.r.l. (“Alesco”). Junia Pharma is active in the production and marketing of pharmaceuticals, medical devices, OTC and nutraceuticals for the paediatric sector. Alesco produces and distributes raw materials and active ingredients for the food, pharmaceutical and food supplement industries.

Thanks to continuous investments in R&D activities that have led to the development of innovative technologies, in less than 20 years the Company has become one of the market leaders in the production of iron-based nutritional supplements under the SiderAL® brand, where it boasts a number of important patents for Sucrosomial® technology and is also considered one of the top emerging players in the sector of medical devices for the recovery of joint capacity thanks to Cetilar® branded products.

PHN has 37 registered trademarks, with 17 proprietary raw material products (Alesco) and 17 registered patents. In 2021, following the successful launch of SiderAL Med in April, the company plans a further one by the end of the year. The SiderAL® line represented c. 81% of total finished product turnover in FY20 and is the leader with a domestic market share (by value) of 53.6% in the iron-based food supplements segment and 39% in the overall market. Cetilar®, designed to reduce pain in joints and muscles due to trauma, is the second most important product line, with 10% of total finished product turnover in FY20 and a market share by value of 1.9% (market share by volume c. 2.8%). Thanks to its energy-boosting and restorative characteristics, ApportAL® posted a significant increase in sales (+24% YoY) and represented 4.4% of finished product turnover in FY20.

Commercial Pipeline



18 PRODUCTS

PharmaNutra nutritional supplements and medical devices are designed to respond effectively and safely to health and well-being needs at all ages, promoting an aware, active and healthy lifestyle.



20 PRODUCTS

Medical devices, OTC products and nutritional supplements for the pediatric sector (0-14 years) developed to respond to everyday health and well-being needs of children and infants.



20 RAW MATERIALS

The ingredients developed and distributed by Alesco for the nutraceutical, pharmaceutical, food and cosmetics sectors stand out for the high scientific value and the efficacy of their active ingredients

Source: Company Presentation

PHN Group has about 60 employees in Italy and a network of c. 150 sales representatives who are the real driving force behind the company nationwide. The Group’s business model was built to respond to the peculiarities of the national market but has adapted quickly and efficiently to international requirements.

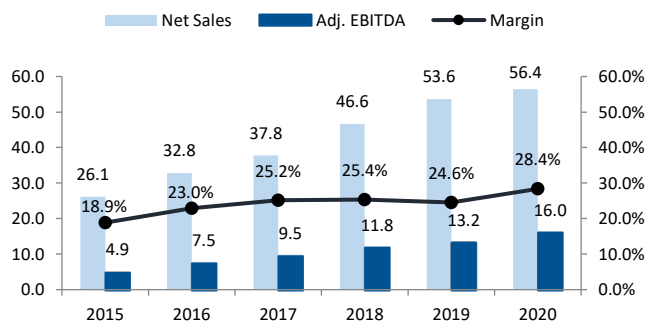
PHN has participated since 2013 on foreign markets with a flexible and innovative business model based on a consolidated network of top-class partners: growing yet well-structured companies that focus their own business on innovative, high-quality products, sound scientific research, and a sales structure that is as close as possible to the values of PHN. Currently, the Group's products are distributed in more than 50 countries in Europe, Asia, Africa, and America, through a network of 39 carefully-selected sales partners.

Foreign countries accounted for 29% of revenues in 2020 and a higher portion of volumes (63% in 2020), due to the difference in distribution model (lower revenues per unit from foreign sales, which are managed indirectly through external distributors, than from domestic retail sales), profitability is fairly similar between domestic and foreign markets, however.

In 2020, consolidated revenues amounted to Eu56.4mn: in the face of an extremely challenging year, the increase of 5% YoY showed a strong ability to execute in the three business areas, with an increase in turnover of around 3% on the Italian market (Eu40.0mn) and around 13% on foreign markets. Group adj. EBITDA came to Eu15.6mn (Eu13.2mn in 2019), a 26.5% margin on total revenues, up 18% on the previous year. Overall, 2020 was the Group's most profitable year ever. Beyond the significative growth in turnover due to the consolidation of partnerships, 8 new distribution agreements were signed in 2020.

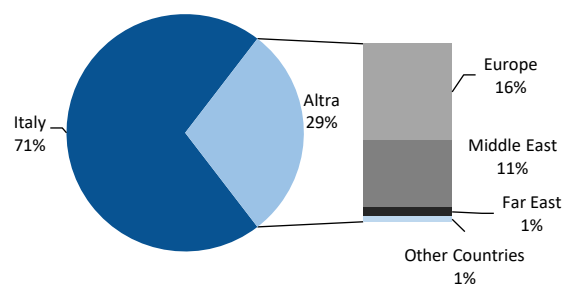
Only 3 years after listing on the Italian Stock Exchange's AIM Market, in December 2020 Group shares were admitted to trading on the STAR segment of the regulated MTA market. Free float currently stands at 35% of total share capital, while Mr. Andrea Lacorte (Chairman), Mr. Roberto Lacorte (CEO), and Mr. Carlo Volpi (Chief Operating Officer) own 31.4%, 23.1% and 10.5% respectively of the share capital.

Figure 1: Steady Growth in Sales (CAGR'15-20 +17%) and EBITDA (+27%)



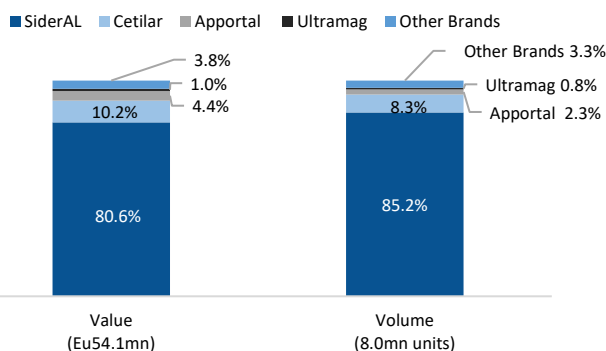
Source: Company data

Figure 2: Turnover Breakdown by Geography (Eu56.4mn in 2020)



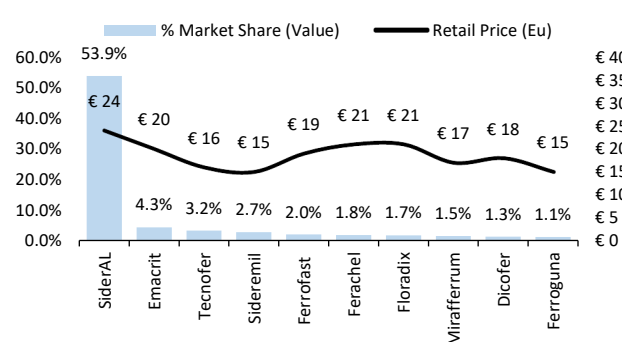
Source: Company data

Figure 3: SiderAL stands at 81% of Finished Product sales and 85% of units



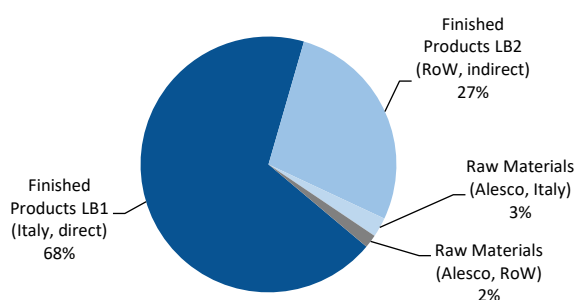
Source: Company data

Figure 4: SiderAL holds >50% of the market and keeps a price premium



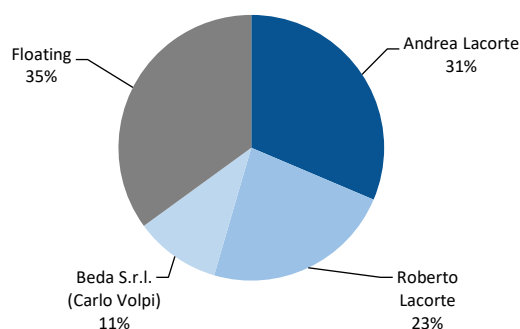
Source: Company data

Figure 4: Revenue Breakdown by line of business (Eu56.4mn in 2020)



Source: Company data

Figure 5: Shareholding Structure (May 2021)



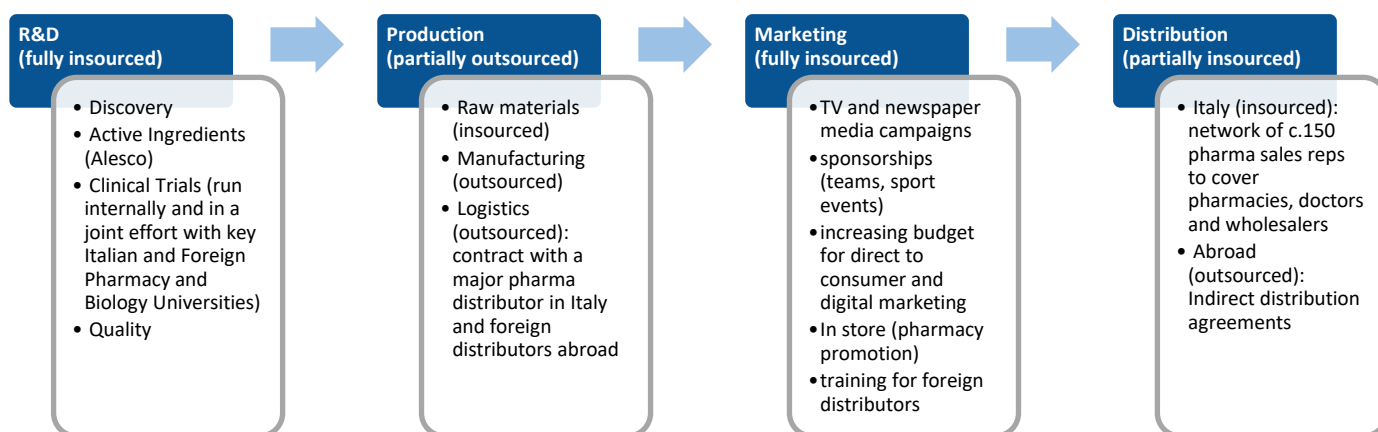
Source: Company data

Business Model: An Integrated Value Chain

PharmaNutra has the know-how to manage all phases from the design, formulation and registration of a new product, through marketing and commercialisation, up to training scientific sales staff. PharmaNutra commercialises unique and innovative products, and oversees the entire production process (including via outsourcing) from raw materials to the finished product. It directly manages the distribution, promotion and sale of its entire product range. The main value-adding activities performed by the Group are as follows:

- **R&D** carried out by a dedicated in-house team
- **in-house procurement and logistics** (warehouse management)
- **production**: compounding and processing; plant management and maintenance
- **external logistics**: storage of finished products, management of distribution, delivery scheduling marketing and sales

Figure 6: An integrated Value Chain



Source: Intermonte SIM on Company information

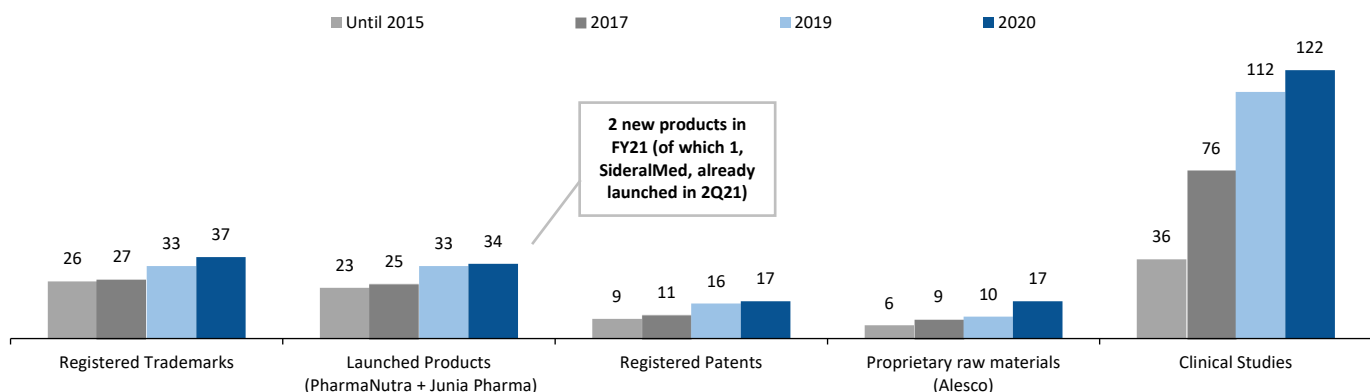
R&D activity (fully insourced)

The R&D team is composed of 10 professionals specialised in biology and pharmaceuticals and almost as many outside collaborators for projects conducted at external facilities. R&D activity involves 5 distinct stages:

- **Discovery**: PharmaNutra has the capacity to “invent” new therapeutic technologies and solutions such as sucrosomial minerals (iron, magnesium and others) and CFA (cetylated fatty acids), which are singular substances that cannot be copied as they are protected by international patents.
- **Synthesis of proprietary raw materials**: the production technique for the main proprietary active substances was invented by PharmaNutra and is owned by the company. Continuous functional analysis is carried out via the Alesco subsidiary aimed at improving techniques and ingredients that make up the active substances.
- **Basic research**: the validation of PharmaNutra therapeutic solutions starts with laboratory experimentation conducted in collaboration with leading faculties of pharmacy and biology (Barcelona, Modena, Pisa) and research institutes (including the New York Blood Center and QIMR Berghofer) on cell cultures and on tissue samples from rats and mice, according to the most rigorous ethical and sanitary standards as well as internationally recognised good laboratory practise (GLP). This research enables (i) comparison of group solutions with those from competitors; (ii) comparative evaluation between improvements in formulations; (iii) an understanding of the metabolic pathways by which the nutritional/therapeutic effects occur; (iv) preliminary efficacy before human clinical testing.
- **Clinical studies**: as non-medicines, clinical studies on patients are carried out on a preliminary basis on new products, where necessary, as well as on those already on the market. In all cases, these studies are only conducted at leading university hospitals or private institutes. The success of these studies confirms the clinical efficacy of PharmaNutra products in the main areas in which Group products are used.
- **Quality control**: analytical and organoleptic quality control (i) of the proprietary raw materials and the same ingredients in their finished form as well as of (ii) finished products for sale to consumers is carried out by certified and accredited laboratories according to strict procedures compliant with international standards. Following a methodology typical of the pharma industry, all commercially available batches are subject to post-sale analytical and organoleptic quality control up to their expiry date. The use of accredited labs also extends to chemical and microbiological stability tests on all new formulations (often

customised according to the regulatory regimes of different countries) before they are put on the market in order to set a certified expiry date by means of established analytical protocols.

Figure 7: R&D achievements (2015-2020)



Source: Company data

Production and Logistics (partially outsourced)

Production and logistics involve the following activities:

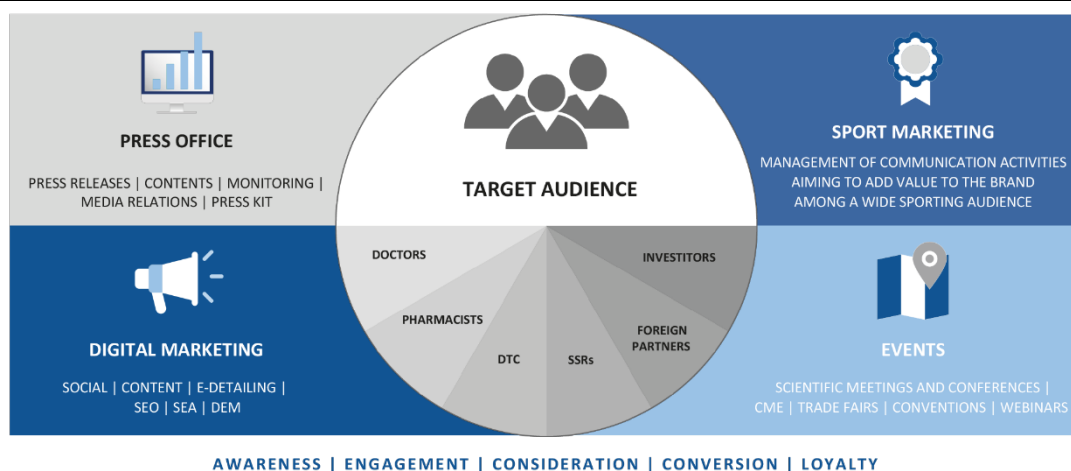
- Procurement of raw materials is performed by the Alesco subsidiary, the main supplier of active ingredients in products sold by the Group. Procurement contracts are only partly exclusive and run for 3 to 5 years; either party may withdraw providing that the supplier guarantees provision of supplies for one year from the date the contract is terminated. Suppliers are obliged to guarantee availability of a quantity of raw materials sufficient to ensure coverage of the annual requirement.
- Inhouse purchasing and logistics is also performed by Alesco for raw materials. No penalties apply in the event of delays to deliveries to production plants; transport costs are usually covered by the supplier and prices are stipulated in the contract. Payment term usually 60 days.
- Production is entirely carried out by Italian contract manufacturing operators (CMO) in which the Group has no equity stakes. Two CMOs capable of fulfilling the quality requirements are used for the most important products (Sideral®, Cetilar®, Apportal® and Ultramag®). Technical and economic factors determine the choice of a CMO, with a back-up always available if needed. The relationships with CMOs are governed by multi-year procurement contracts: the Group provides the raw materials and assumes the risks related to out-of-date materials as well as any shortfalls in quality. Before starting work for the group, each CMO is subject to an exacting audit carried out by the Quality Control Office under the Scientific Director. The entire production phase is subject to constant monitoring to guarantee that all PharmaNutra brand products comply with the highest quality standards. The number of CMOs used is limited and finding new ones is a rather time-consuming process due to the quality audit and the stipulation of the production process. The Group plans to build a plant to produce sucrosomal minerals, with output likely to start from end-2023. As only a few CMOs work for the group, diversification of production is limited: 84% of production volume in a recent period (average product volumes made in 2019 and up to 30 September 2020) was performed by 3 CMOs, with one having the largest average share of ca. 46% for the period in question. Biofarma, Fine Foods, S.I.I.T are among the main CMOs that supply PHN.
- Outsourced logistics. A sole provider is under contract for logistical services for pharma products in Italy and is subject to continuous and attentive monitoring by PHN. The goal is to maximise efficiency by outsourcing this activity in its entirety. The 5-year contract involves management of all logistics services and in particular warehousing (storage, handling, and packaging), as well as delivery to recipients as indicated from time to time by the Group. The risks from using just one provider are mitigated by using two warehouses: one at Livraga (Lodi) for deliveries in the north of Italy and the other at Anagni (Frosinone) for the rest of the country.

Marketing and Communication (fully insourced)

With regard to product communication, investments are concentrated on digital activities for the promotion of the Sideral®, Cetilar® and Apportal® brands with the aim of increasing brand awareness, supporting the sales network and encouraging store traffic in pharmacies and online purchases on selected marketplaces. Planning for Apportal® involved wide target coverage through the following media channels:

- National TV and radio, web search and display, and targeted press advertising. Cetilar® products have also been the subject of a multi-channel promotional campaign, combined with sponsorships of top-level sports clubs in numerous sectors.
- New communication systems (e-detailing) to support commercial activities, developed during 2020 in order to allow ISCs (sales representatives/scientific informants) to carry out medical detailing activities remotely. Such digital solutions, which proved strategic during the lockdown period, have enabled the Company to continue its business and represent a communication and sales tool that will continue to complement traditional information methods, including in the future.

Figure 8: Integrated Multichannel Marketing



Source: Company Presentation

Sales and distribution (partially outsourced)

The sales and distribution model is based on two lines of business for finished products:

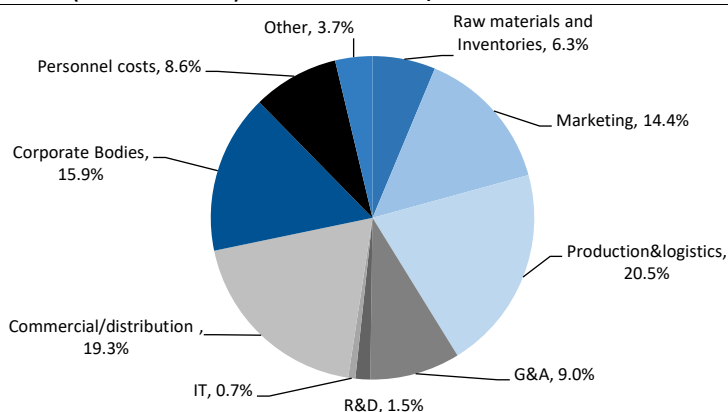
Direct business line ("LB1", Italy): direct control of distribution channels in core markets and the relevant marketing activities by PharmaNutra Group companies. In 2020, the direct business line accounted for about 70% of total turnover (about 73% in 2019). PharmaNutra and Junia Pharma distribution channels can be broken down thus:

- Direct distribution through the network of trained representatives who market products throughout Italy. 95% of direct orders come from pharmacies and parapharmacies.
- Wholesalers who directly supply pharmacies and parapharmacies with products.

The work of sales reps, who present the efficacy and uniqueness of products to medical professionals, is paramount for both distribution approaches. Alesco's commercial activity in Italy outside the group is aimed at companies in the food, pharmaceutical and nutraceutical industries as well as at nutraceutical production plants that produce on behalf of third parties.

Indirect Business Line ("LB2", International markets): this business model is common to all 3 companies and is mainly used in foreign markets. It is characterised by the marketing of finished products (PharmaNutra and Junia Pharma) and raw materials (Alesco) through local partners who distribute and sell the products in their own markets under long-term distribution contracts. In 2020, the Indirect business line accounted for about 29% of turnover (about 27% in the previous year). In 2020, 8 new distribution agreement were signed.

Figure 8: OpEx Breakdown (FY20A: Eu43.1mn): Variable Costs > c. 2/3 of Total Cost Base

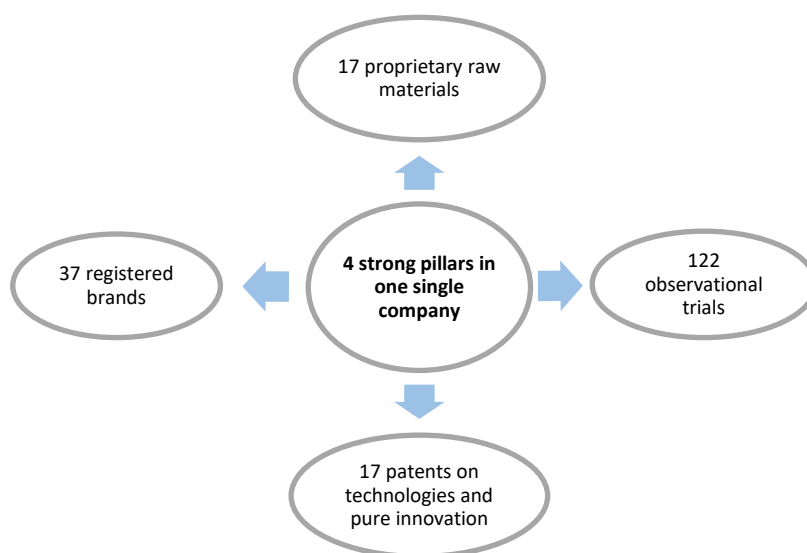


Source: Company data

R&D: Unique Know How and IP Protection Offering High Entry Barriers

Over the years, the Group has successfully developed a fully integrated business model, ranging from pure discovery to direct sales to customers, which represents a truly unique case in the pharmaceutical industry. The Group boasts deep know-how that enables it to oversee the following phases of the value chain fully and internally: design, development and registration of a new product; processing of raw materials (active ingredients); marketing, communication, and sales; training of the sales network. Basic research, through pre-clinical experiments (in-vitro, ex-vivo and in-vivo) has borne fruit in the form of important international publications that are crucial because they give the business solid foundations, thus ensuring a significant competitive advantage. In addition to this, important new projects have started, which are overseen directly by researchers who are part of the Group; the first is the start-up of a proprietary research laboratory, currently dedicated to the development of new prototypes and formulations, and which in the future will also be dedicated to experimental research in the field of cell biology. At the same time, clinical studies are performed, with practical implementation through formal collaborative relationships with Italian and foreign clinics, hospitals, and research centres, depending on the necessary skills and know-how. During 2020, the continuation of clinical studies inevitably slowed down due to Covid-19, particularly for studies carried out at hospitals.

Figure 9: Key Assets – Intellectual Property



Source: Company presentation

In a highly competitive sector with rapid time-to-market and the presence of many “theoretically” similar products, PharmaNutra has created effective barriers to competition through significant investments in intellectual property (17 patents, 37 registered brands, 122 clinical studies, 17 proprietary raw materials). The company strategy is mainly based on development and subsequent distribution of innovative products having unique characteristics, which enable significant differentiation from rival products. For this reason safeguarding intellectual property is one of the key factors for the success of PharmaNutra.

In the field of nutraceutical products it is not possible to patent finished product formulations, while the composition and the production process of raw materials can be patented (e.g. Sucrosomial Iron – Sideral R.M.), as well as the usage indications for a specific product (e.g. in the case of Bonecal, for improving the fracture pattern). Only thanks to integrated strategic management of intellectual property has PharmaNutra been able to build a significant competitive advantage on which its robust corporate development in Italy and abroad depends.

Sucrosomial Technology

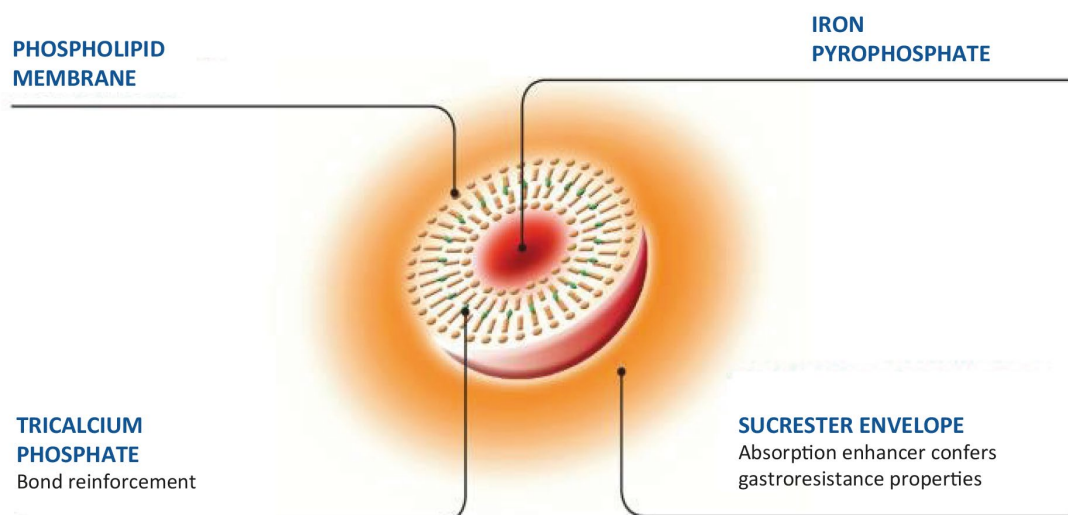
In 2010, PharmaNutra filed the Sucrosomial® Technology patent, a unique and innovative delivery system which, in a decade, has revolutionised the therapy sector and the mineral-based supplements market generally.

Developed by Alesco, Sucrosomial® Technology helps to preserve, transport, protect and facilitate the absorption of certain essential nutrients for the human body, such as iron, selenium, zinc, iodine, calcium and magnesium. The name Sucrosomial® Technology is derived from Sucrosome®, the complex of components that envelop the nutrient, protect it, transport it and facilitate its absorption in the intestine. Sucrosomial® Technology can be applied to several basic elements such as iron, selenium, zinc, iodine,

calcium or magnesium and is therefore a valid tool for creating specific supplements for any deficiencies or increased needs for these nutrients.

The nutritional supplements of the SiderAL® range specifically contain Sucrosomial® Iron (Sideral® R.M.), a preparation containing iron pyrophosphate transported within a matrix of phospholipids and sucrose esters of fatty acids, which protects the entire Sucrosome® structure by **preventing the release of iron in the stomach, a phenomenon that would preclude its proper absorption in the intestine**, which is the tissue responsible for the absorption of iron.

Figure 10: Schematic Structure of Sucrosomial® iron.



Source: Company presentation

Compared to conventional iron salts present in most nutritional supplements used for iron deficiency, the Sucrosomial® Iron (Sideral® r.m.) contained in SiderAL® products passes through the stomach and is more easily absorbed in the intestine. At the same time, Sucrosomial® Technology promotes excellent tolerability, even in cases of daily intake for long periods of time. In the specific case of iron, Sucrosomial® Technology prevents the typical side effects often associated with conventional iron supplementation, such as a metallic and unpleasant aftertaste, irritation of the gastric mucosa or constipation. By overcoming these limitations on iron intake, Sucrosomial® Technology promotes the intake of this important nutrient in all situations of deficiency or increased need for iron.

Patents on Proprietary Technologies

As of today the Group has 17 technological patents. The strategy pursued is to register a patent in each country where the product is commercialised. The Solid Iron, Liquid Iron, Oral Soluble Iron, and Cardiovascular Iron patents represent the technology required to produce the Sideral® line (ca. 81% of total revenues as of 31 December 2020); Cetilar® patents generated ca. 10% of total revenues in 2020, while Apportal® Ultramag®, which together accounted for 5% of total revenues as of 31 December 2020, are obtained using the Sucrosomial Minerals patent.

As part of its development strategy, the Group is aiming to develop and patent new technologies that enable it to maintain its competitive advantage even after patents expire (i.e. when technology related to the preparation methodology for Sucrosomial iron can be used by competitors). For example, the Sideral patent expires in 2032, but PharmaNutra is working on new developments to extend the duration of patents up to 2050.

(see table on the next page)

Figure 11: PharmaNutra's Patents on Proprietary Technologies

Patent	Country	Status	Expiring
Solid Iron	Italy	Released	31/07/2032
Solid Iron	EU Countries and Non EU Countries (e.g. TR, CH, NO)	Released	30/07/2033
Solid Iron	EU Patent	To Be Released	30/07/2033
Solid Iron	EuroAsiatic Patent	Released	30/07/2033
Solid Iron	India, Israel, USA, Japan	Released	30/07/2033
Solid Iron	EAU, Oman, Qatar	To Be Released	30/07/2033
Solid Iron	Bahrain, Morocco, Brazil, Canada, Syria	Pending	30/07/2033
Solid Iron (divisional patent)	Israel, China, USA	Pending	30/07/2033
Liquid Iron	Italy	Released	31/07/2032
Oral Soluble Iron	Italy	Released	09/09/2033
Oral Soluble Iron	Canada, HK, India, USA	Pending	09/09/2034
Cetilar	Italy	Released	14/08/2035
Cetilar	USA	Released	09/08/2036
Cardiovascular Iron	Italy	Released	26/07/2037
Sideral + Vitamin D	Italy	Released	02/08/2037
Sideral + Vitamin D	USA, EU Patent	Pending	27/07/2038
Cardiovascular Iron	India	Released	26/07/2038
Cardiovascular Iron	Other Countries worldwide	Pending	26/07/2038
Sucrosomial Minerals	Italy	To Be Released	13/06/2038
Sucrosomial Minerals	PCT (Patent Cooperation Treaty)	Pending	
Cetilar - other patents	Italy, PCT (Patent Cooperation Treaty)	Pending	

Source: Intermonte SIM on Company data

In 2020 two patents were granted in March, respectively in India and in the United States, which are markets with significant potential given their size. As far as India is concerned, the patent grant concerns "Ferro Solido" (Solid Iron - no. 328725) and will expire in 2033. The second patent concerns Cetilar® which has thus achieved official recognition on the U.S. market as well. The new Cetilar® patent (no. US10,597,608 on 24/03/2020) in the USA will be granted until 2036 at the earliest.

Covid-19 Has Not Reduced Company Efforts on R&D

Following the pandemic, 2 clinical studies have been started with Apportal® in order to study the effects on the reduction of fatigue and asthenia in people affected by Covid-19. The first available data shows significant effectiveness, thus identifying a new area of use in these types of patient and, more generally, in all those who are physically debilitated as a result of infections of various origins.

During 2020, 7 important pre-clinical and clinical studies were published, for a total of 122 publications, plus numerous international publications in which Sideral is cited as one of the most innovative iron-based products. In November 2020, the company launched Cetilar® Tape a truly practical, easy-to-use product, which represents a further step towards completing the Cetilar® line. In addition, at the end of April 2021, the Company launched on the Italian market SiderAL® Med, the first Food for Special Medical Purposes (AFMS) based on Sucrosomial® Iron and indicated to treat nutritional deficiencies in bariatric patients or subjects with serious cases of malabsorption.

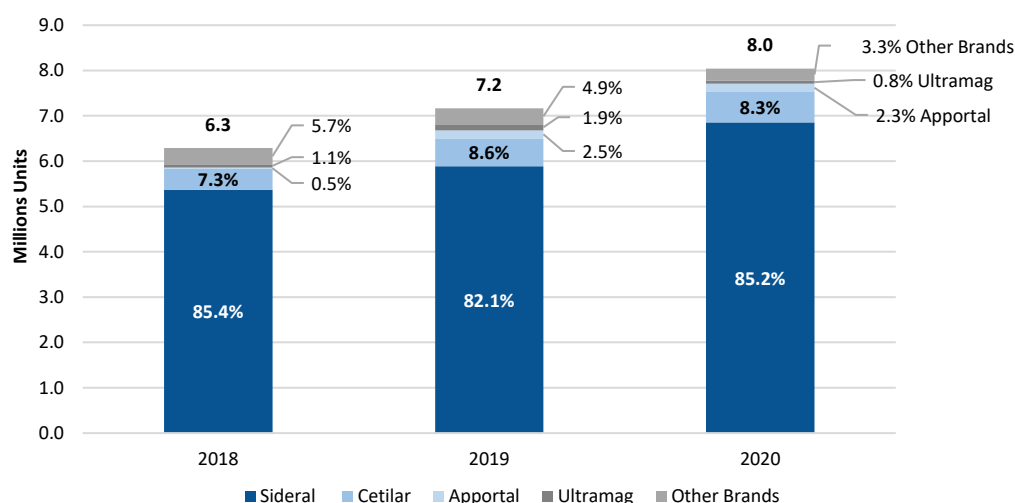
There are several ongoing trials (clinical and pre-clinical studies) in Italy or abroad, plus other clinical trials overseen by international partners. In 2020, this activity was carried out through online events, since all scientific congresses and hospitals meetings were held in virtual mode only. The Group's R&D team has participated at various types of event involving different medical target audiences, including in the paediatric field.

Product Portfolio: a Mix of Successful Brands and New Launches to Come

Currently, PHN has 37 trademarks, the 4 largest trademark lines are:

- **SiderAL®** a nutritional supplement based on Sucrosomial Iron® (Sideral® rm), Vitamin C and Vitamin B12, useful in all cases of nutritional deficiencies or increased organic need for these nutrients. The SiderAL line comprises several products (e.g. SiderAL, SiderAL Forte, SiderAL Folico, Cardio SiderAL, SiderAL Bimbi, SiderAL Oro) and represented c. 81% of total finished product units sold in FY20 and is the leader with a domestic market share by value of 53.6% in the iron-based food supplements segment and 39% of the overall market. In 2020, Sideral® Forte was confirmed as one of the best-selling products on the food supplements market, occupying fifth place among the top 20 product codes in terms of sell-out volume.
- **Cetilar®**. Designed to reduce the pain of joints and muscles due to trauma, Cetilar® is a topical muscle and joint wellness product based on Cetylated Fatty Acids (7.5% CFA). It represents the second product line with a 10% incidence on total finished product units sold in FY20 and market share by value of 1.9% (market share by volume of c. 2.8%).
- **ApportAL®** is a complete nutritional supplement containing as many as 19 nutrients, each one performing a specific action in the body. Among these, the 5 minerals contained in ApportAL® (Selenium, Iron, Zinc, Iodine and Magnesium) have been developed using the innovative Sucrosomial® technology patented by PharmaNutra S.p.A. Thanks to its characteristics as an energy restorative supplement, it posted a significant increase in sales (+24% YoY) and represents 4.4% of finished product units sold in FY20.
- **UltraMag®** is a nutritional supplement based on Sucrosomial® Magnesium used to address dietary deficiencies or increased organic need for this nutrient. Magnesium is a fundamental micronutrient for the body's wellness at all ages. In 2020, it represented c. 0.8% of finished product units sold in 2020.

Figure 12: Breakdown of Finished Product Turnover by Unit



Source: Company data

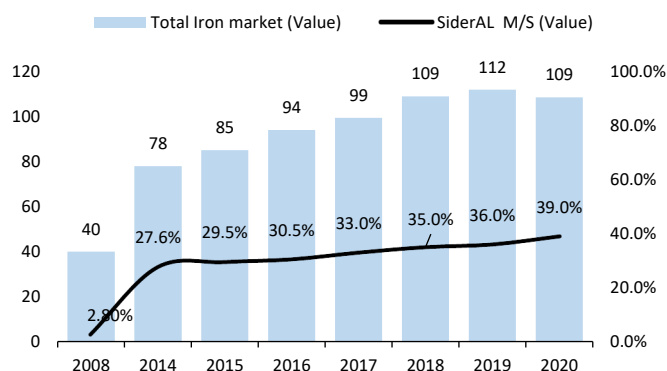
SiderAL: Undisputed Leadership in the Oral Iron Supplements Market

Iron is one of the most important minerals in the human body, responsible for the production of red blood cells and keeping the body in good health. Over a fifth of the world population suffers from anaemia or iron deficiency, which amounts to more than 1.5 billion people. Iron deficiency is the most common reason for anaemia in children and pregnant women. Pregnant women in particular require iron supplements, as iron deficiency may result in the blood not carrying enough oxygen to tissues throughout the body, leading to preterm labour. These factors will principally drive the global iron market on a large scale.

PharmaNutra Group participates in the iron-based supplements market (Food Supplements and Drugs) via the Sideral® product line, in which it confirmed its leadership for 2020 with a market share by value of 53.6% in the Food Supplements segment and 39% in the overall market¹.

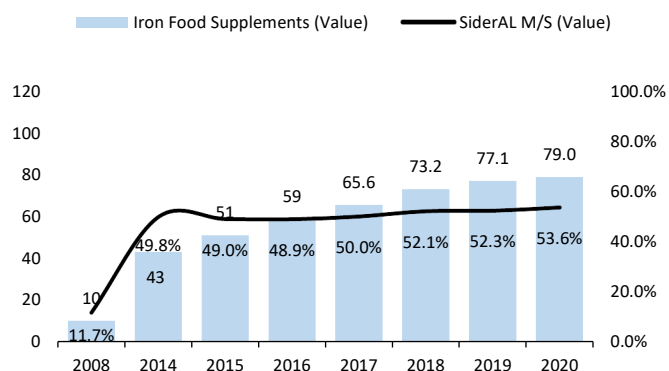
¹Source: IQVIA data

Figure 13: Total Iron Market (Eu mn) and SiderAL® M/S (Value)



Source: Company (Annual Report 2020), IQVIA data

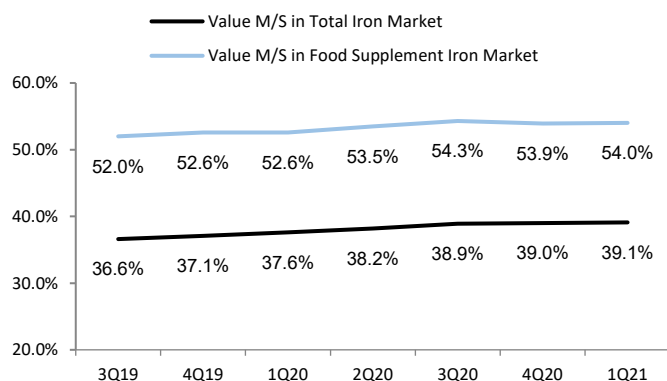
Figure 14: Iron Supplements Market (Eu mn) and SiderAL® M/S (Value)



Source: Company (Annual Report 2020), IQVIA data

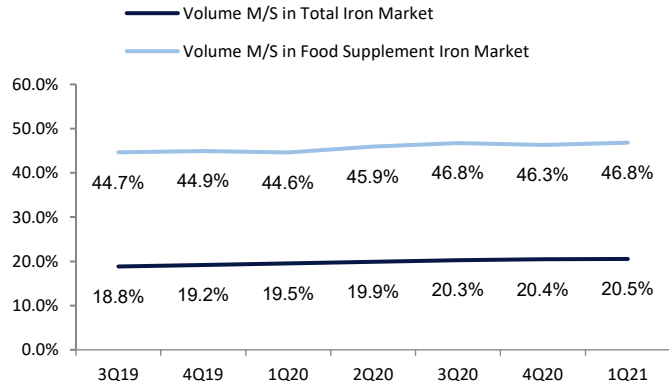
The charts below show quarterly trends in the market share of Sideral® (expressed in value) in relation to the market for iron supplements only (Food Supplements) and the overall market consisting of both Food Supplements and Drugs. **The Sideral® product line also has a significant share of the overall market, whose growth is driven by the food supplements segment at the expense of drugs.**

Figure 15: SiderAL® Market Share (Value)



Source: IQVIA data

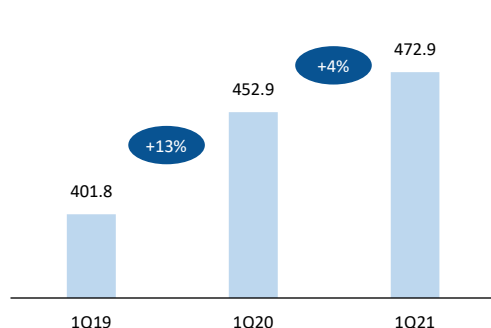
Figure 16: SiderAL® Market Share (Volume)



Source: IQVIA data

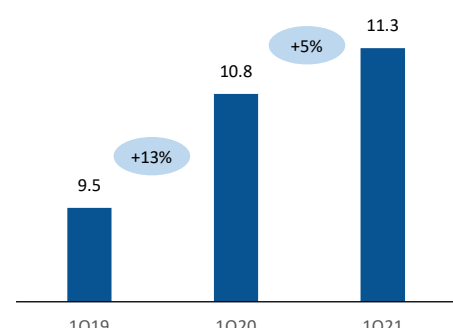
In 1Q21, the trend for Sideral® products per unit showed a QoQ gain in market share by value (+0.1pp), both for the total Iron market (39.1%) and in the Iron Food Supplements subsegment (54.0%). A stronger improvement was also witnessed in Iron Food Supplements market share by volume (at 46.8%, +0.5pp QoQ).

Figure 17: SiderAL® - Volume Trend 1Q19-21 (k, units)



Source: Company data

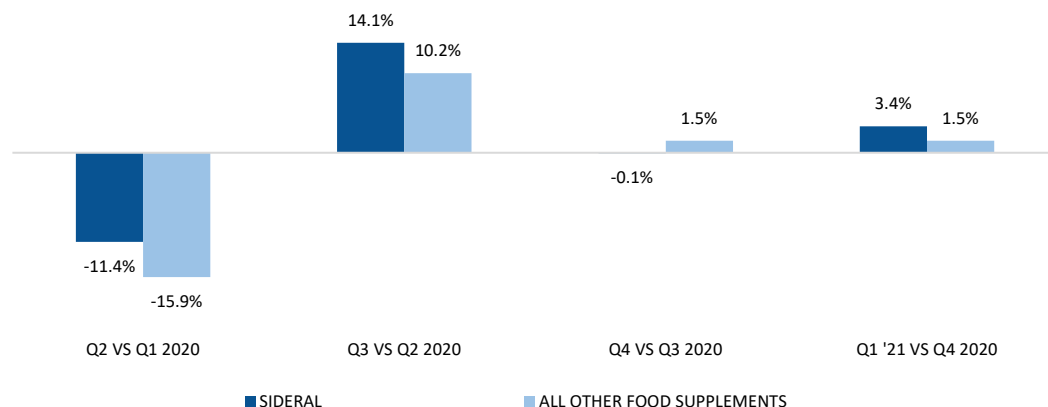
Figure 18: SiderAL® - Value Trend 1Q19-21 (Eu mn)



Source: Company data

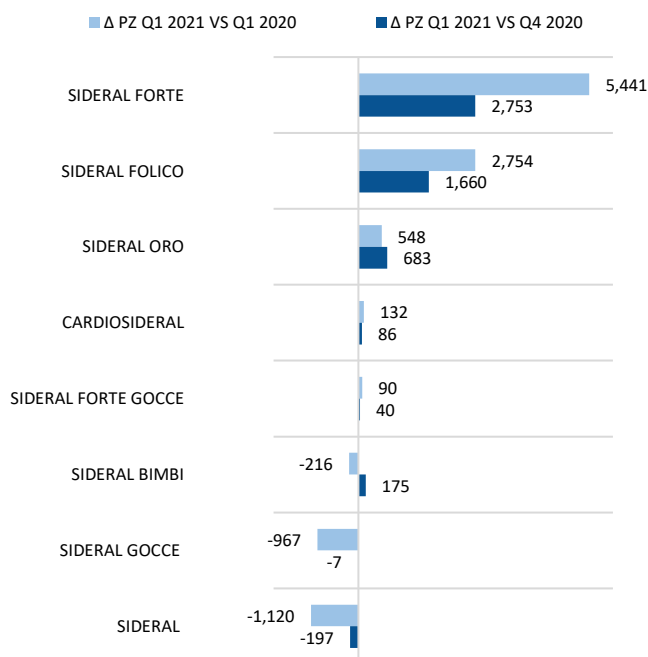
Looking at the QoQ unit sales trend, in 1Q21 the Sideral line not only returned to growth, but stepped up the pace, outperforming the rest of the Foods Supplement Iron market.

Figure 19: Sideral and All Other Food Supplements Iron Market: Quarterly Evolution of QoQ Growth (Units)



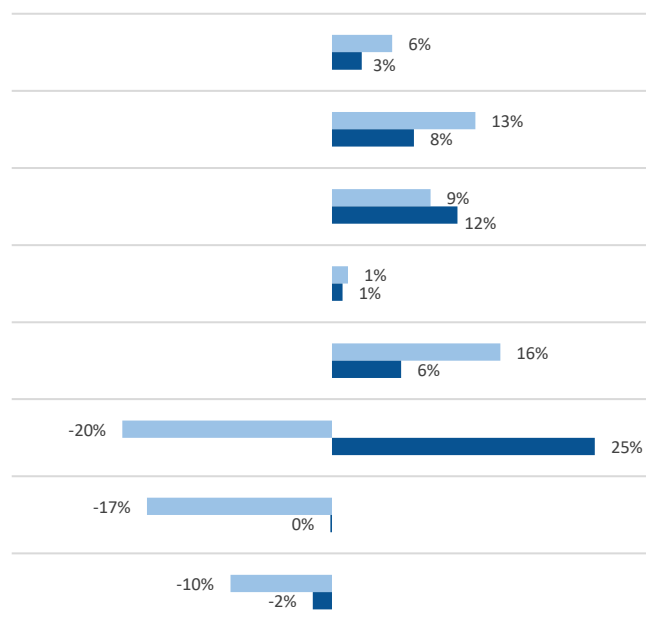
Source: Company data

Figure 20: SiderAL Line in 1Q21 – YoY and QoQ Absolute Growth (Units)



Source: Company data

Figure 21: SiderAL Line in 1Q21 – YoY and QoQ % Growth (Units)



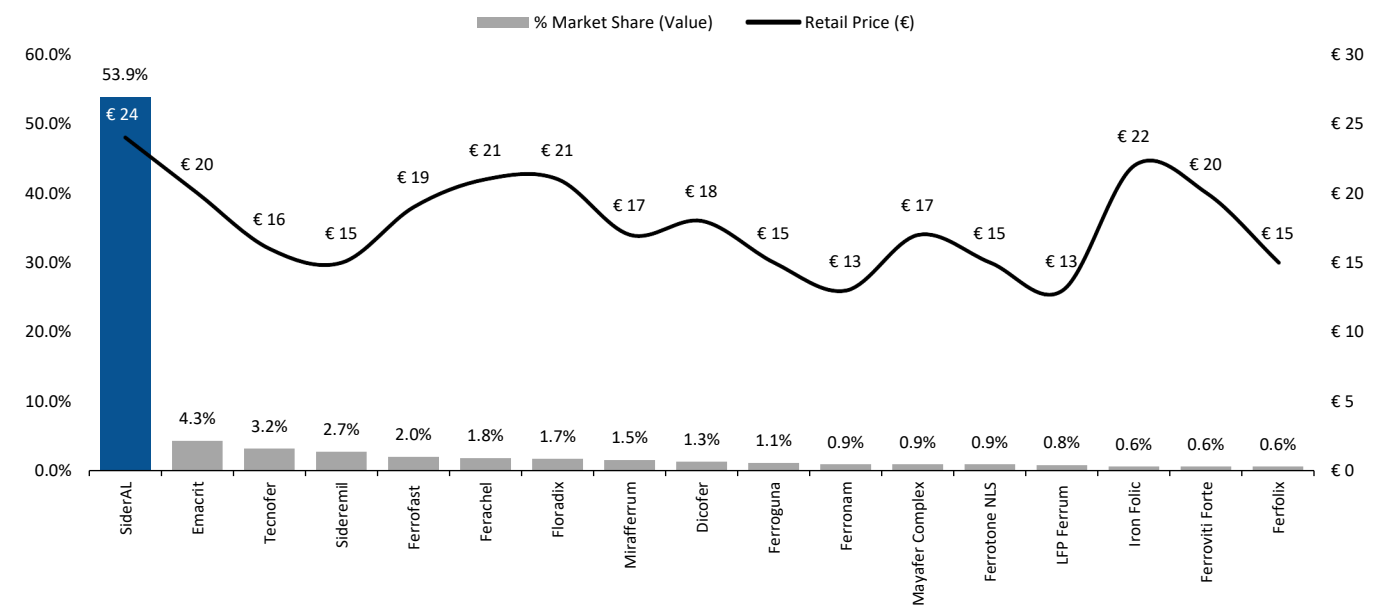
Source: Company data

Looking at the various iron supplement players in terms of market share and average price, **the direct competitors of Sideral® have much smaller market shares** (the second competitor has a market share almost 13 times lower than Sideral®) and, on average, lower market prices.

This shows that the Sideral® product line is able to gain significant recognition in the market in terms of premium retail price, achieved thanks to significant investments in research and development and marketing.

(see table on the next page)

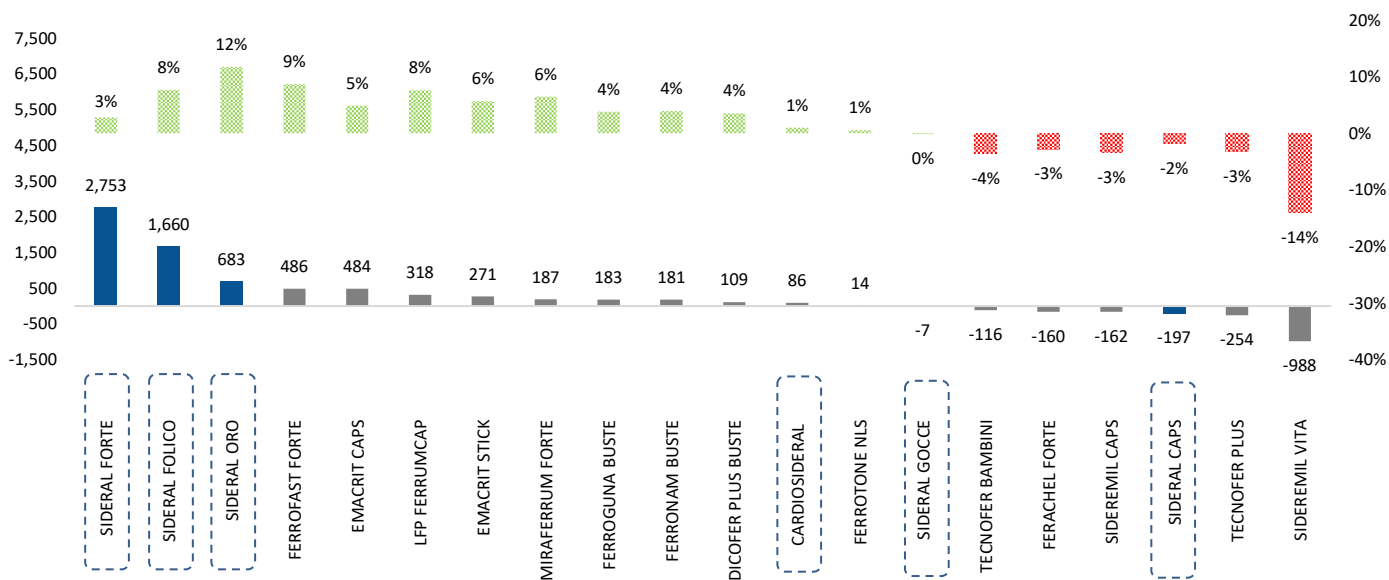
Figure 22: SiderAL and Top Competitors in Food Supplements Iron Market in 4Q20 (Value Market share)



Source: Company (Annual Report 2020)

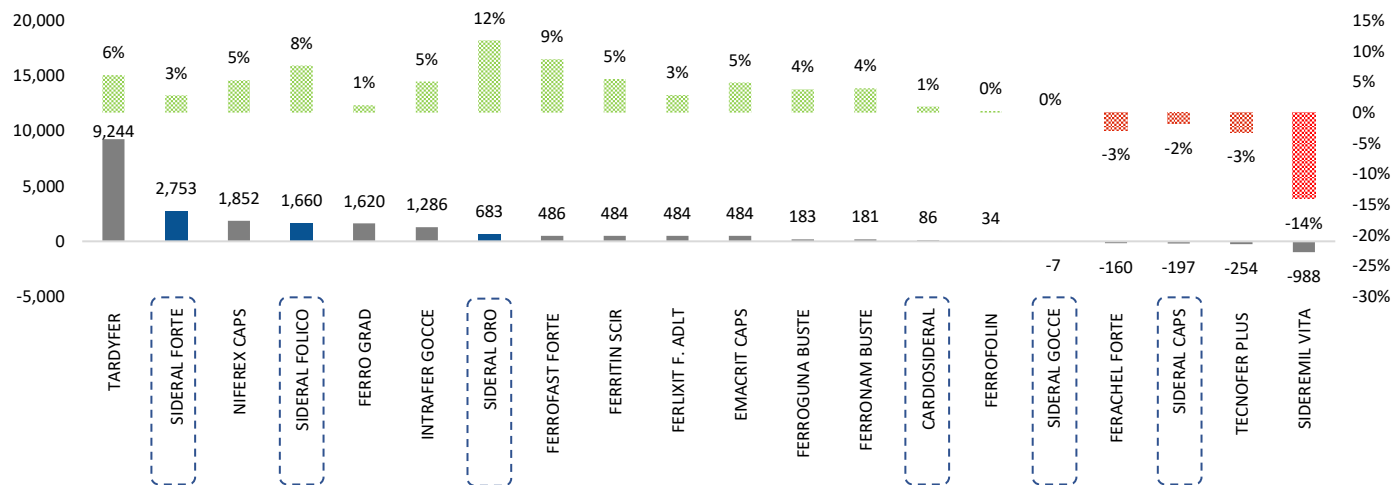
A benchmarking analysis on 1Q21 for SiderAL branded products showed remarkable growth of units sold both QoQ and YoY (in particular for SiderAL Forte, SiderAL Folico and SiderAL Oro), while main competitors continued to lose momentum, with the sole exception of prescription drug Tardyfer, looking at the broader Iron market.

Figure 23: Food Supplements Iron Market: SiderAL and Top Competitors: QoQ Growth in 1Q21 (QoQ Abs. and % Delta of Sell-out Units)



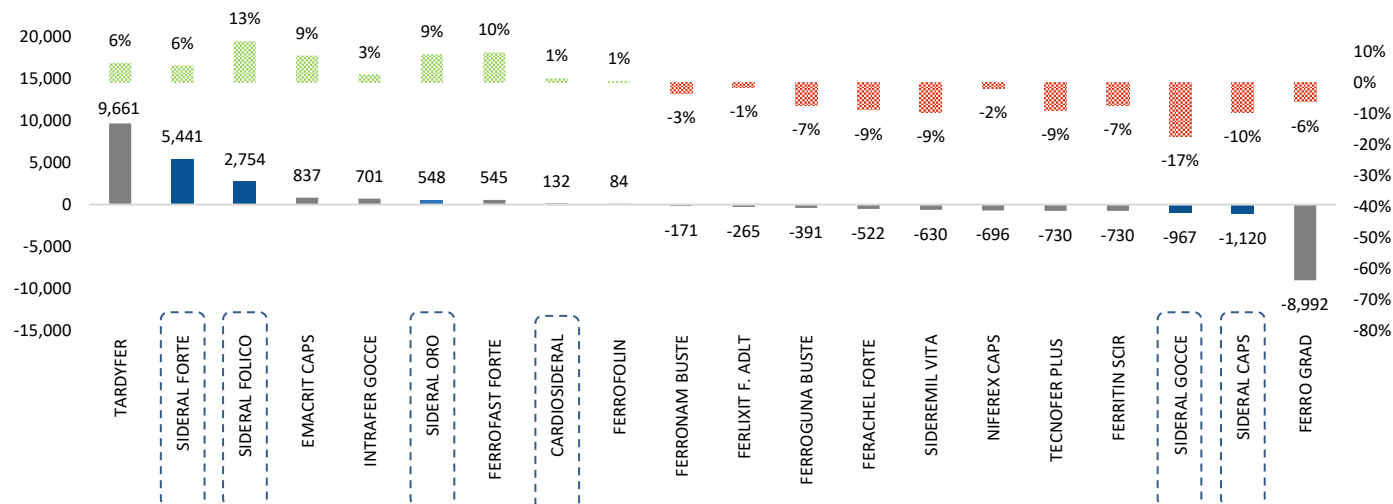
Source: Company data

Figure 24: Total Iron Market: SiderAL and Top Competitors: QoQ Growth in 1Q21 (QoQ Abs. and % Delta of Sell-out Units)



Source: Company data

Figure 25: Total Iron Market: SiderAL and Top Competitors: YoY Growth in 1Q21 (YoY Abs. and % Delta of Sell-out Units)

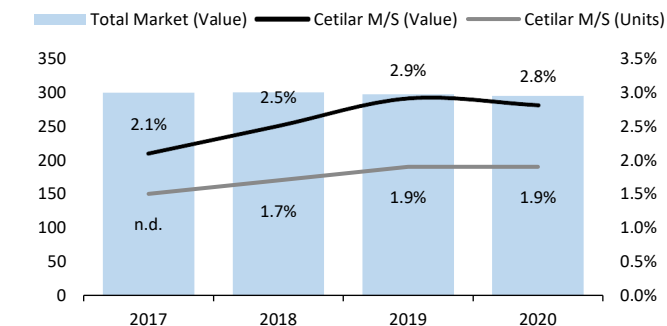


Source: Company data

Cetilar: Gaining Visibility among Topical Painkillers

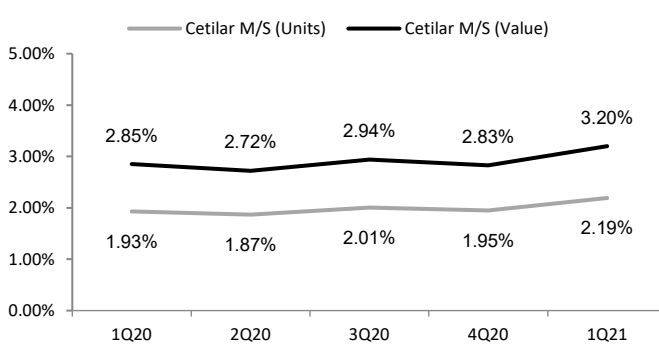
As at YE20, the Italian topical painkiller market was worth c. Eu295mn and showed a reduction of Eu2mn compared to the previous year, with Cetilar maintaining its market share by value of 1.9% with a decrease in market share by volume. In 1Q21, the Cetilar Line went back above 2% market share on volume and achieved an impressive 3.2% market share on value.

Figure 26: Italian Topical Market (Eu mn) and Cetilar M/S (Value)



Source: IQVIA data

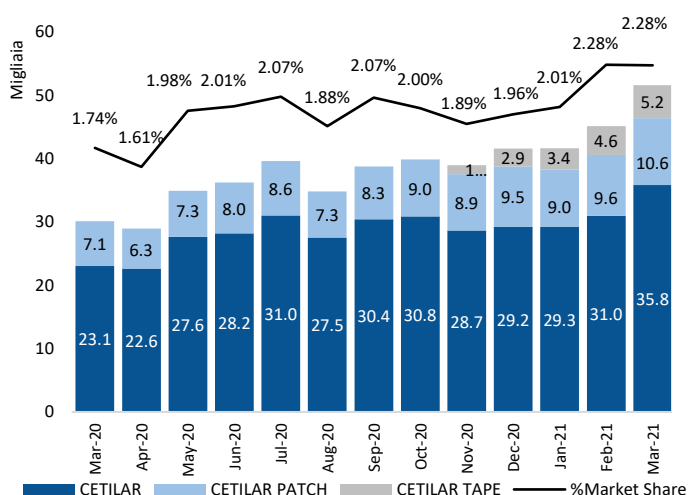
Figure 27: Cetilar M/S over the Last 5 Quarters



Source: IQVIA data

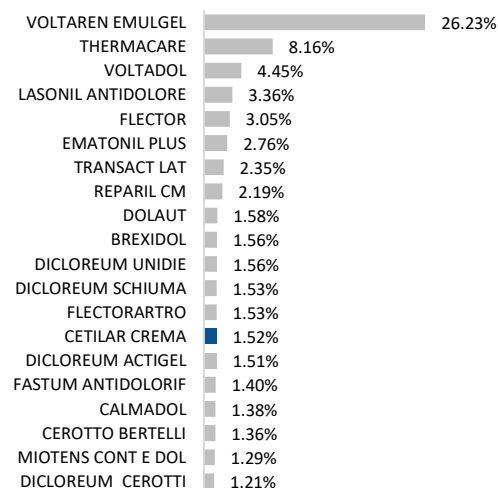
In particular, March 2021 saw double-digit growth of volumes: +39% YoY for Cetilar® Cream and +23% YoY for Cetilar® Patch, and benefitted from the initial sales contribution from Cetilar® Tape, launched last November.

Figure 28: Cetilar Line Monthly Trend (k units) and M/S (%)



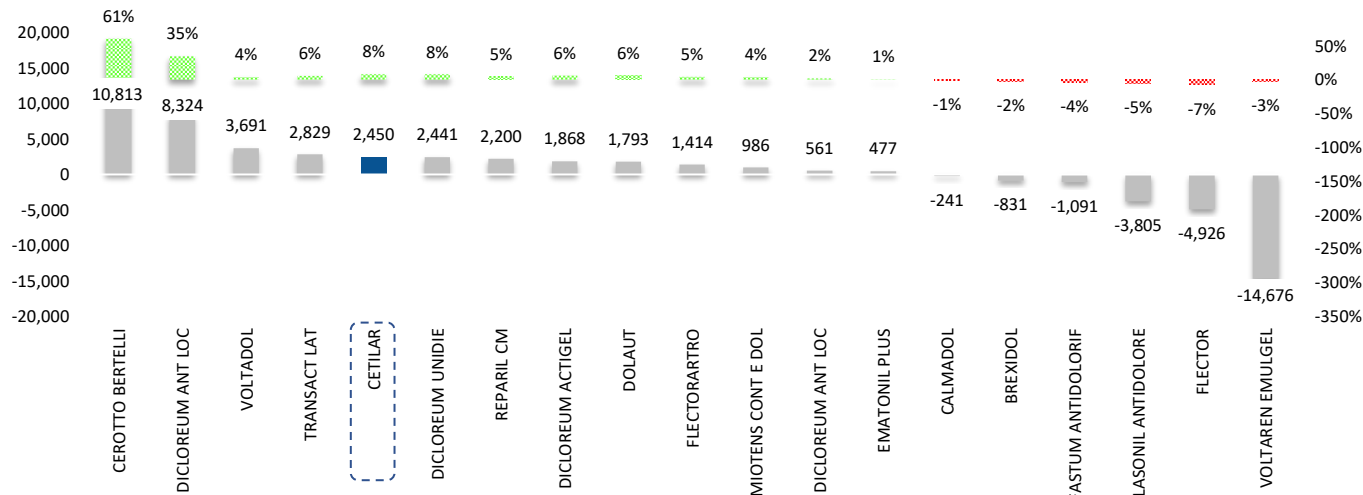
Source: Company data

Figure 29: Cetilar Crema M/S (Units) in the Total Topical Market (1Q21)



Source: Company data

Figure 30: Cetilar Line and Average Quarterly Growth (Units, %) of 20 Top Competitors in the Total Topical Market



Source: Company data

PharmaNutra's Brands



Sider AL

SiderAL® is a nutritional supplement based on Sucrosomial Iron® (Sideral® rm), Vitamin C and Vitamin B12, useful in all cases of nutritional deficiencies or an increased organic need for these nutrients.



Sider AL Forte

SiderAL® Forte is a nutritional supplement based on Sucrosomial Iron® (Sideral® rm) and Vitamin C, useful to address any nutritional deficiencies or temporarily increase the organic needs of these nutrients.



Sider AL FOLICO 30mg

SiderAL® Folic 30mg is a nutritional supplement in practical orosoluble sachets, based on Sucrosomial® Iron, vitamins (C, B12, B6 and D) and Quatrefolic® acid, the active form of folic acid. It is a product designed specifically for women of all ages and useful in cases where iron supplementation is necessary even for long periods.



Cardio Sider AL

Cardio SiderAL® is a food supplement based on Sucrosomial® Iron, vitamin C, vitamins B6 and B12 and folic acid, useful as a means of supplementing these nutrients in cases of dietary deficiencies or during periods when there is an increase in organic need.



Sider AL MED

SiderAL® Med is the first Food for Special Medical Purposes (FSMPs) with Sucrosomial® Iron developed by PharmaNutra for the treatment of nutritional deficiencies in bariatric patients and subjects with serious cases of malabsorption.



Cetilar Crema

Cetilar® Crema is a topical muscle and joint wellness product based on Cetylated Fatty Acids (7.5% CFA).



Apport AL

ApportAL® is a complete nutritional supplement containing as many as 19 nutrients, each one performing a specific action in our body. Among these, the five minerals contained in ApportAL® (Selenium, Iron, Zinc, Iodine and Magnesium) have been developed using the innovative Sucrosomial® technology patented by PharmaNutra S.p.A.



UltraMag

UltraMag® is a nutritional supplement based on Sucrosomial® Magnesium useful to address dietary deficiencies or increased organic needs of this nutrient.



GestalsDHA

Gestals DHA is a nutritional supplement specifically formulated according to the RENIs (Recommended Energy and Nutrient Intake Levels) of pregnant and nursing women.



Novomega

Novomega is a nutritional supplement based on EPA and DHA, useful as a means to supplement these nutrients in the case of dietary deficiencies or in periods when there is an increase in organic requirements.



Bonecal

Bonecal is a nutritional supplement based on calcium, vitamin K2 and vitamin D3, useful to address dietary deficiencies or periodic increases in organic needs of these nutrients. The combination of calcium and vitamins supports the physiological functions of bone tissue, as well as promoting bone mineralisation and maintaining normal serum calcium levels.



DiKappa 2

DiKappa 2 is a nutritional supplement based on Vitamin K2 and Vitamin D3, useful in all occasions when the body shows an increase in organic needs or the presence of dietary deficiencies of these nutrients.

Junia Pharma's Brands



Blefarene Baby

Blefarene Baby is a soft, disposable wipe, 100% cotton, specific for the care and hygiene of eyelids and eyelashes. The combined action of Chamomile, Cornflower and Zanthalene, Blefarene Baby offers relief for styes, itching, swelling and allergies.



Capricare 2

Capricare 2 is the only follow-on formula for infants from 6 to 12 months containing whole goats' milk.



Lactozepam

Lactozepam® is a nutritional supplement based on Lactium (hydrolysed milk proteins) and Vitamin E. Available in three forms: oral suspension, chewable and tablets.



Lactozepam Forte

Lactozepam® is a nutritional supplement based on Lactium (hydrolysed milk proteins) and Vitamin E. Available in three forms: oral suspension, chewable and tablets. Capsules, pack of 20 tablets (300mg/1 tablet).



Lactozepam Oro

Lactozepam® Oro is a nutritional supplement based on Lactium (hydrolysed milk proteins) and Vitamin E. Available in three forms: oral suspension, chewable and tablets. Chewable sticks, pack of 14 sachets (300mg/1stick).



Neo D3

Vitamin D contributes to the normal absorption and use of calcium and phosphorus and intervenes in the process of cell division. DHA is a polyunsaturated fatty acid of the omega-3 series found in the membranes of all cells in the body, particularly in the central nervous system and the retina.



Celadrin Crescita

Topical cream, 30ml tube.



DoloMir Oto

Ear drops with Myrrh extract. 15 ml bottle.



SiderAL Bimbi

SiderAL® Bimbi is a nutritional supplement based on Sucrosomial® Iron, Vitamin C, Vitamins B6 and B12. Powder, pack of 20 sachets.



SiderAL Gocce

SiderAL® Gocce is a preparation based on Sucrosomial® Iron.



SiderAL Oro

SiderAL® Oro 14 is a food supplement containing Sucrosomial Iron®, Vitamin C and B group Vitamins and has been specifically formulated for children and adolescents.



DoloMir Gola

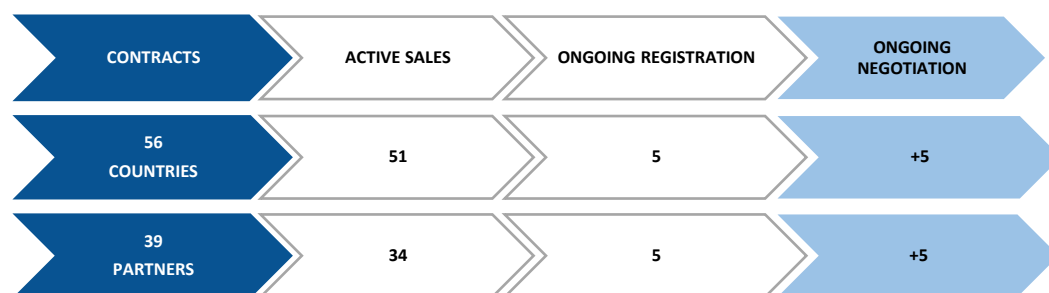
Spray for of the oropharyngeal mucosa. 15 ml spray bottle.

International Presence: a Gradual Path towards Long Term Sustainable Growth

PharmaNutra is present on foreign markets with a flexible and innovative business model, based on a consolidated network of top-class partners. Synergies in individual countries are sought using specific criteria, aiming to select growing yet **well-structured companies** that base their own business on innovative, high-quality products, sound scientific research and a sales structure that is as close as possible to the values of PharmaNutra.

The company began developing foreign markets in 2013 and recorded constant growth right from the start. Currently, the Group's products are distributed in **56 countries** in Europe, Asia, Africa and America, through a network of **39 carefully selected sales partners**.

Figure 31: International Expansion



Source: Intermonte SIM on Company data

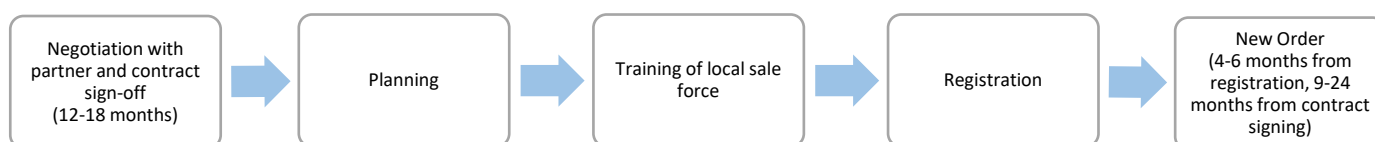
A close relation with distribution partners requires a lengthy process

The foreign development model is based on drawing up contracts with pharma and nutraceutical segment companies to distribute products in one or more territories. The process involves a number of steps and can take rather a long time, especially the initial negotiation phase.

- **Negotiation** (12-18 months): it takes a long time for PHN and the partner to get to know one another. Often the initial contacts are made at international trade fairs and conferences. It might take between 12 and 18 months before the contract is signed.
- **Joint planning with the partner**, development of the business plan and of the development potential of the product.
- **Training of the sales force**: on-site with future representatives. PHN works to train a sales force for the long term: this requires PHN to visit the partner in order to gauge what facilities are available, and the quality of their sales force.
- **Product registration**: a regulatory process that is quicker in the EU.

The first order will not arrive until 4 to 6 months after product registration; sales will not come before 9 to 24 months from the date the contract is signed off. For these reasons, foreign growth will be slow at the start and then explosive after 2 to 3 years, and partners continue to see double-digit growth in particular at a distance of 6 to 7 years. 95% of foreign turnover is made by the Sideral brand, but the company is now adding other products to the pipeline.

Figure 32: Key steps to set up a distribution agreement



Source: Intermonte SIM on Company data

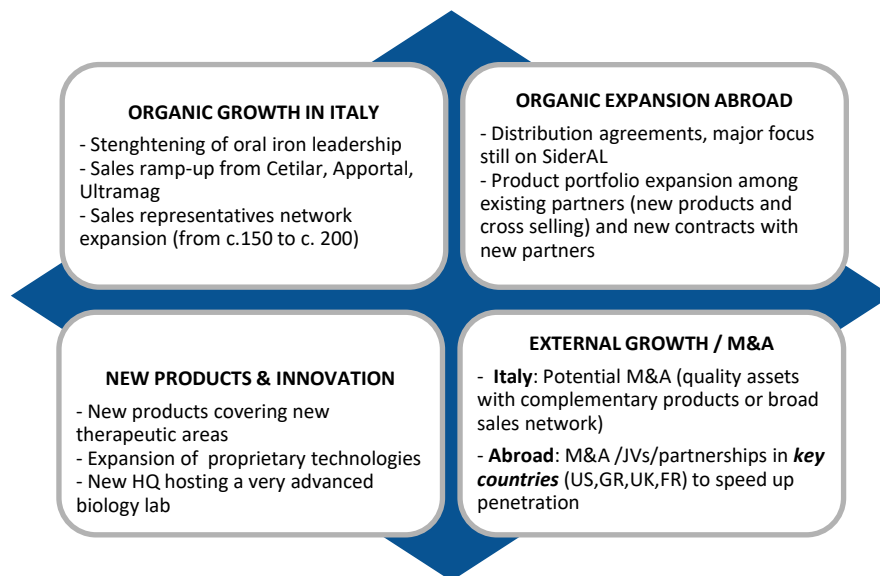
The distribution of PharmaNutra products, which began with the SiderAL® line, has expanded in recent years with the Cetilar® brand, with the aim being to introduce other successful brands including UltraMag® and ApportAL®. The process requires considerable effort to adapt products to regulations in force in each country, but which represents the strength of the Group's internationalisation system, based on the clear propensity for product customisation and a Regulatory Affairs department structured to provide constant support to foreign partners.

Amongst others, key foreign partners include: Altman, Fresenius Kabi, Generica, Laboratorios Viñas, Pharmapal, WinMedica, Zentiva, Zambon.

Future Strategy in 4 Pillars

Business development in the medium to long term foresees 4 growth drivers: i) the strengthening of domestic leadership in the oral iron supplement market; ii) international expansion (with tailored strategies in key countries); iii) constant focus on R&D (fostered by new HQ); and iv) launch of new products.

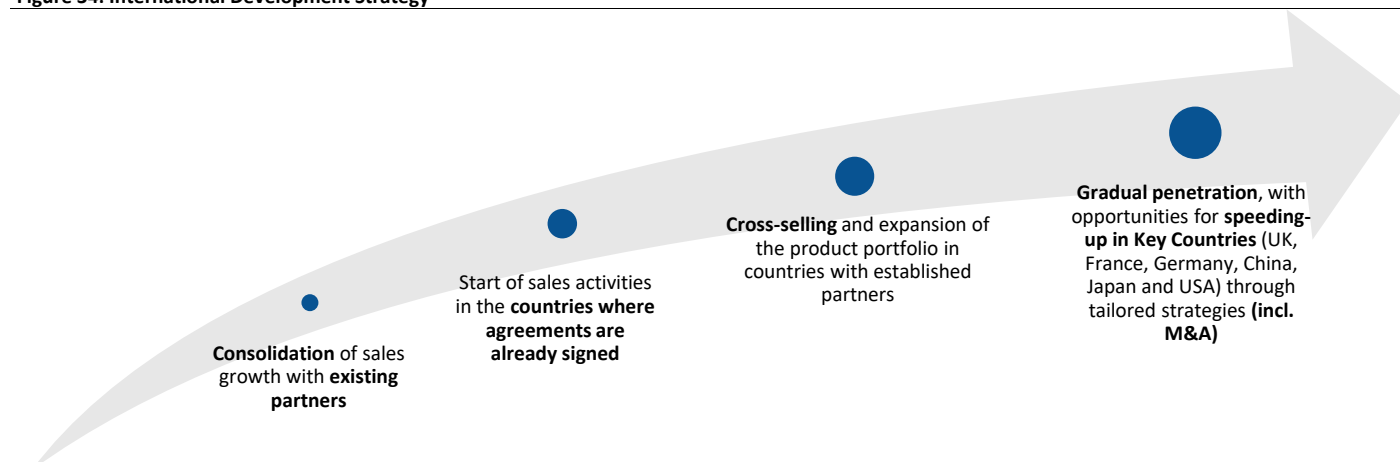
Figure 33: Future Strategy in 4 Pillars



Source: Intermonte SIM on Company data

- Consolidation of the presence in Italy (c.71% of FY20 sales), where PHN sees significant growth potential over the next 5 years. This goal will be pursued through a) the strengthening of oral iron leadership, b) Sales ramp-up and cross-selling from Cetilar, Apportal, Ultramag; c) the expansion of the sales representative network to c. 200 employees over the next 18 months (from current c.150).
- International expansion (organic): the group will continue to rely on top distributors only, and to propose Sideral as a flagship product, selling other products at a later stage (cross-selling), and to sign new contracts with new partners.
- External growth / M&A: in Italy the Group is constant monitoring of M&A opportunities for high quality assets, with complementary products and/or proprietary distribution networks. Abroad, in key countries such as the UK, USA, Germany and France, management believes that a distribution agreement is not the only option. For this reason, PHN is always on the lookout for opportunities to set up JV or establish own local subsidiaries, creating a proprietary distribution network to penetrate the market in a much more significant manner. For this type of strategy, M&A activity could be a tactical option. Taking into account the positive net cash position as at YE'20 (Eu19.3mn) and the possibility of raising debt in the comfort zone of 2.5-3x, the group would have c. Eu60-70mn firepower for M&A.

Figure 34: International Development Strategy



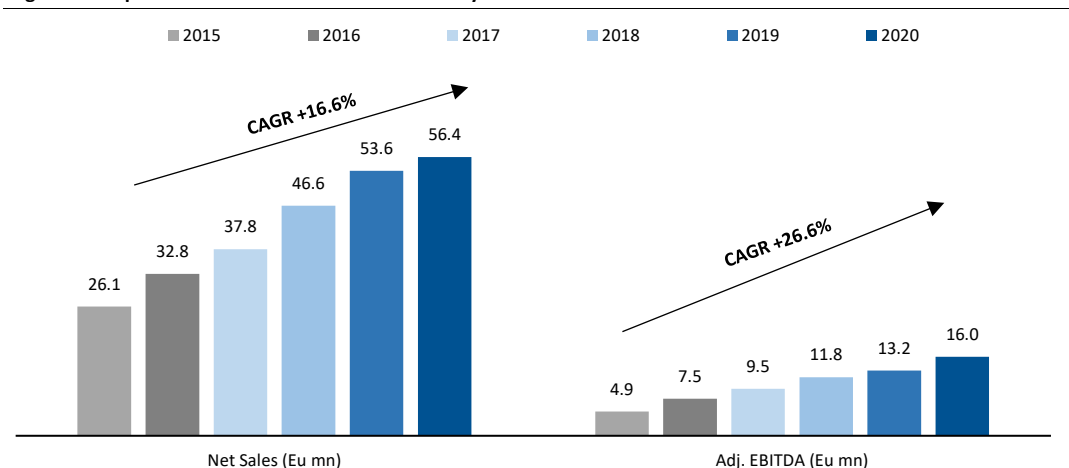
Source: Intermonte SIM on Company data

- Launch of new products: thanks to strong R&D activity, PHN is well placed to expand its own product portfolio in the coming years, covering new therapeutic areas/needs and developing new proprietary technologies. Management has indicated a growing pipeline under development: in 2021, following the successful launch of Sideral Med in April, the company plans a further one by the end of the year.
- New HQ hosting an innovative R&D center: The new industrial facility in Pisa will enable PHN to position itself as a more relevant and innovative company in the chemical&pharmaceutical industry. The new site will allow full control of sucrosomial elements production and an even stronger focus on R&D. The new offices will hold one of the most innovative molecular biology laboratories in Europe. The investment, for a total cost of about Eu18mn, will be partly covered by operating FCF and partly using external financing, always taking into account potential tax breaks. Work to set up the HQ, which began in March 2021, should be completed within 24 months, by 2023.

Historical Financials: Steady EBITDA Growth Mirroring Top-Line Trend

Group revenue increased dramatically over the last 6 years, rising from Eu26mn in 2015 to over Eu56mn in 2020 (16.6% CAGR '15-20). This expansion is primarily due to the success of Sideral, as well as the introduction of new products such as Cetilar and international expansion. Furthermore, the company increased its EBITDA margin more than proportionally to sales, at a 27% CAGR for the 2015-20 period.

Figure 35: Topline and EBITDA Trend over the last 5 years

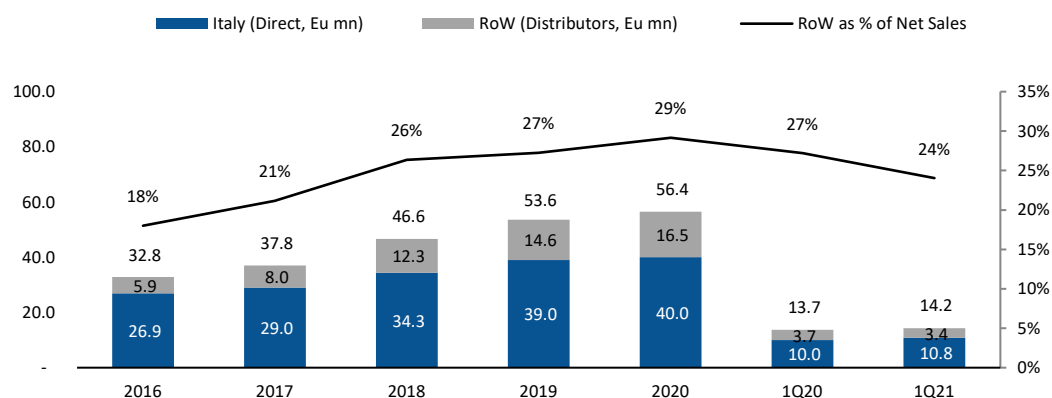


Source: Company Data

In an extremely challenging year, the Group demonstrated agility and a strong execution capability in all its business areas. FY20 top line growth moved from *double-digit* to *mid-single-digit* levels (+5% YoY; FY19: +15% YoY), a trend that continued in 1Q21 (Eu14.2mn, up 4% YoY), still influenced by the pandemic, which only started to have an effect in March 2020. In particular, the 1Q21 top line performance was particularly satisfactory, considering the unfavourable comparison with a year ago (1Q20 sales were up 15% YoY): (i) in March 2020 Italian market sales were boosted by significant orders, mainly referred to the wholesale channel, generated by the uncertainty caused by the lockdown implemented by the authorities to tackle the spread of Covid-19, and (ii) 1Q20 displayed a concentration of orders from foreign distributors that was not repeated in 1Q21.

Looking at the geographical breakdown, foreign countries totalled 29% of revenues in 2020 (Eu40.0mn) and a higher portion of volumes (63% in 2020), due to the difference in the distribution contract terms (via distributors abroad as opposed to direct distribution in Italy). Profitability was fairly similar between domestic and foreign markets, however. In 1Q21, revenue from sales on foreign markets declined 8.1% to Eu3.4mn (24% of net revenues), mainly due to a timing difference in the acquisition of orders from customers. Nevertheless, the foreign market represented 55% of units sold in 1Q21.

Figure 36: Revenue Geographical Breakdown (2016 - 2021 1Q)



Source: Company data

Finished product sales volumes in 1Q21, which came to about 1.7mn units, were stable compared to the previous year, with an increase in Italian market deliveries. Of particular note is the **excellent performance of sales in March 2021, with 300k units sold** (IMS figures and direct orders), up 11% vs. March 2020, the

Group's best ever monthly YoY growth trend. The significant increase in Group sales on the Italian market in 1Q21 resulted in volume growth of about 5.3% YoY. **Sales were given a particular boost by Cetilar® line medical devices**, with higher volumes than the same month last year: +39% for Cetilar® Cream and +23% for Cetilar® Patch. Sales of nutritional supplement UltraMag® also increased significantly in the month, +17% compared to March 2020. **April 2021 volumes confirm a continuation of growth trends**. The direct sales channel (direct orders and wholesalers) totalled 288,796 units, a 40% increase on April 2020, taking cumulative growth in the first four months to 11%.

Figure 37: Finished products breakdown (revenues and units)

Eu mn	2018	2019	2020	YoY	1Q20	1Q21	YoY
Sideral	36.8	40.5	43.6	8%	10.2	10.6	5%
as % of FP sales	79.9%	78.5%	80.6%		78.5%	78.7%	
Cetilar	4.4	5.4	5.5	2%	1.4	1.5	8%
as % of FP sales	9.6%	10.5%	10.2%		11.1%	11.5%	
Apportal	1	1.9	2.4	24%	0.7	0.7	11%
as % of FP sales	2.2%	3.7%	4.4%		5.1%	5.4%	
Ultramag	1.8	0.9	0.6	-36%	0.1	0.2	33%
as % of FP sales	3.9%	1.7%	1.0%		1.0%	1.2%	
Other Trademarks	2.0	2.9	2.0	-30%	0.6	0.4	-25%
as % of FP sales	4.3%	5.7%	3.8%		4.3%	3.1%	
FP sales	46.0	51.6	54.1	5%	13.0	13.5	4%
Raw Materials	0.6	2.1	2.3	14%	0.7	0.7	0%
Net Revenues	46.6	53.6	56.4	5%	13.7	14.2	4%
o/w Italy	34.3	39.0	40.0	3%	10.0	10.8	9%
as % of tot	74%	73%	71%		73%	76%	
o/w Row	12.3	14.6	16.5	13%	3.7	3.4	-8%
as % of tot	26%	27%	29%	240%	27%	24%	
mn units	2018	2019	2020	YoY	1Q20	1Q21	YoY
Sideral	5.37	5.89	6.86	16%			
as % tot units	85.4%	82.1%	85.2%				
Cetilar	0.46	0.62	0.67	9%			
as % tot units	7.3%	8.6%	8.3%				
Apportal	0.03	0.18	0.18	5%			
as % tot units	0.5%	2.5%	2.3%				
Ultramag	0.07	0.14	0.07	-51%			
as % tot units	1.1%	1.9%	0.8%				
Other Brands	0.36	0.35	0.27	-24%			
as % tot units	5.7%	4.9%	3.3%				
FP units	6.29	7.17	8.04	12%	1.7	1.7	stable
o/w Italy	2.62	2.94	2.95	0%		0.8	0.3mn in March (+11%)
as % of tot	42%	41%	37%			45%	
o/w Row	3.67	4.22	5.09	21%		0.9	
as % of tot	58%	59%	63%			55%	

Source: Company data

Moving to costs, the OpEx base is quite lean and the variable portion accounts for over two thirds. OpEx and can be broken down into the following categories:

Figure 38: Opex Breakdown (2017-2020)

Eu mn	FY17A	FY18A	FY19A	FY20A
COGS & Logistics	6.9	9.0	10.2	10.2
as % of net sales	18.1%	19.4%	19.1%	18.1%
Selling expenses	7.4	9.3	10.1	9.5
as % of net sales	19.5%	19.9%	18.9%	16.8%
Marketing expenses	3.2	4.8	6.6	6.4
as % of net sales	8.5%	10.4%	12.2%	11.4%
R&D expenses	0.3	0.4	0.8	0.7
as % of net sales	0.8%	0.8%	1.4%	1.2%
G&A expenses	10.7	12.0	13.4	16.4
as % of net sales	28.3%	25.8%	24.9%	29.0%
Opex	28.4	35.5	41.0	43.1
as % of net sales	75.2%	76.3%	76.5%	76.4%

Source: Company Data

- **Production and Logistics:** these low-value-added operations are outsourced by PHN and may be considered as external costs. Fairly stable in absolute terms at c. Eu10.2mn in 2019 and 2020 (18% of net sales).
- **Selling Expenses:** this line comprises remuneration of the more than 150 sales/medical sales representatives at the group and is included in the cost of services; Eu6.5mn (17% of net sales in 2020).
- **Marketing:** an independently managed activity, the Group spent Eu6.4mn in 2020 (11% of net sales). In 2020, marketing costs were lower than expected, due to the cancellation and/or downsizing of numerous events.
- **R&D:** historically, this accounts for over 1% of revenue and only includes costs with third parties (e.g. universities, research centres) to which it should be added personnel costs for R&D activities (booked under personnel costs), reaching an overall level of 3-4% of sales.
- **G&A:** includes miscellaneous items, in particular remuneration of corporate bodies such as the BoD (Eu6.9mn, 12% of net sales in 2020, this incidence is set to decrease as turnover grows over the coming years) and personnel (7% of net sales). As at YE20, the Group had 58 employees (54 in 2019) and 56 at the end of March 2021.

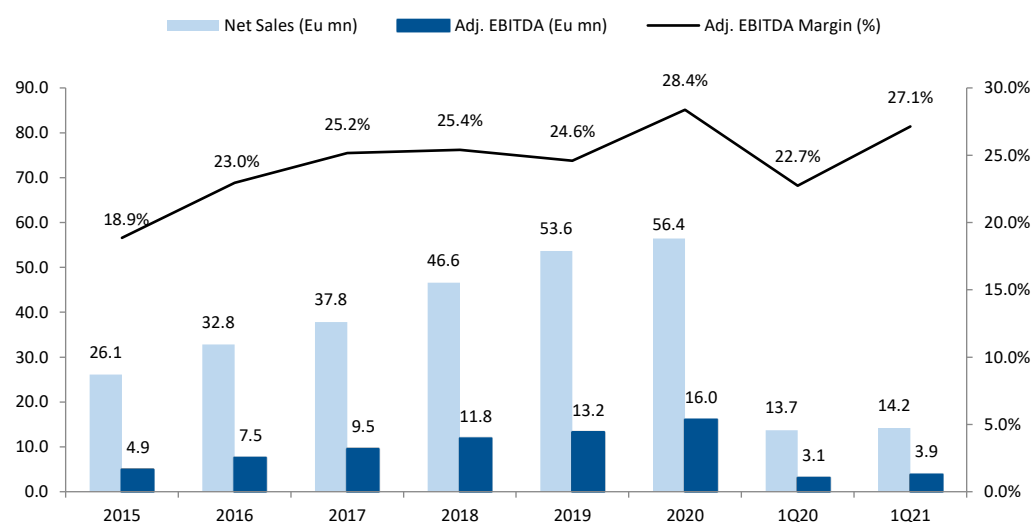
It is worth noting that in FY20, OpEx attributable to the Italian market, amounting to Eu30.8mn, increased by 2% on the previous year due to the lower costs incurred as a result of the Covid-19 restrictions, while OpEx attributable to foreign markets, which amounted to Eu12.4mn in 2020 vs Euro 10.8mn in 2019, increased 12% due to higher business volumes. As a result of the above, LB1 segment (Italy) EBITDA was Eu10.8mn in FY20 (26% of net sales), up 19% YoY, while LB2 segment (foreign markets) EBITDA grew 16% YoY to Eu4.7mn (28.7% of net sales).

At Group level, adj. EBITDA has steadily increased in recent years, rising from Eu4.9mn in 2015 to Eu16mn in 2020. In FY20, the 22% YoY increase in adj. EBITDA came not only from the higher top line generated, but also from lower growth in operating costs due to the restrictions imposed by the ongoing Covid-19 epidemic, with particular regard to travel expenses, costs relating to the external network (due to lower growth on the Italian market than in previous years), and lower marketing costs than expected due to the cancellation and/or downsizing of numerous events.

This led to a record high profitability in 2020, with a 28.4% adj. EBITDA margin on net sales (or 27.3% on total sales). It is worth noting that in FY20, adj. EBITDA excluded a number of non-recurring items: i) the extra revenues related to a contractual non-recurring indemnity for about Eu1mn (accounted on the "other revenues" line), ii) the non-recurring costs related to the "Patent Box" tax relief and the costs incurred for the transfer the group listing to the MTA - Star segment, totalling Eu1.5mn.

On a reported basis EBITDA came to Eu15.6mn in 2020, up 18% YoY, with a margin of 26.5% on total revenues (27% on net sales). In 1Q21 adj. EBITDA amounted to Eu3.9mn (1Q20: Eu3.0mn), with a 27.1% margin on net revenues (1Q20: 22.7%), growing at c.27.5% YoY, as in 1Q20 the cost base was negatively affected by a contingent liability of Eu0.5mn.

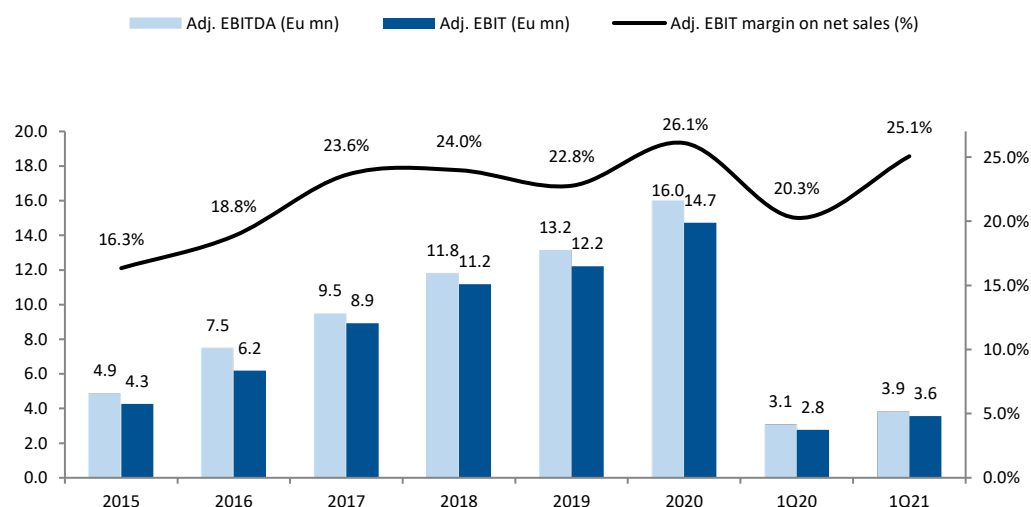
Figure 39: Revenue and EBITDA Trend (2015 – 2021 1Q)



Source: Company Data

D&A are only a small portion of group's expenses (typically 2% of sales), therefore EBIT broadly mirrors the EBITDA trend. Adj. EBIT was Eu14.7mn as at the end of 2020, the best ever with 26% of net sales. On a reported basis, EBIT came to Eu13.2mn in FY20. In 1Q21 Adj. EBIT stood at Eu3.6mn with a 25.1% margin on net sales.

Figure 40: Adj. EBITDA and Adj. EBIT trend (2015-2021 1Q)



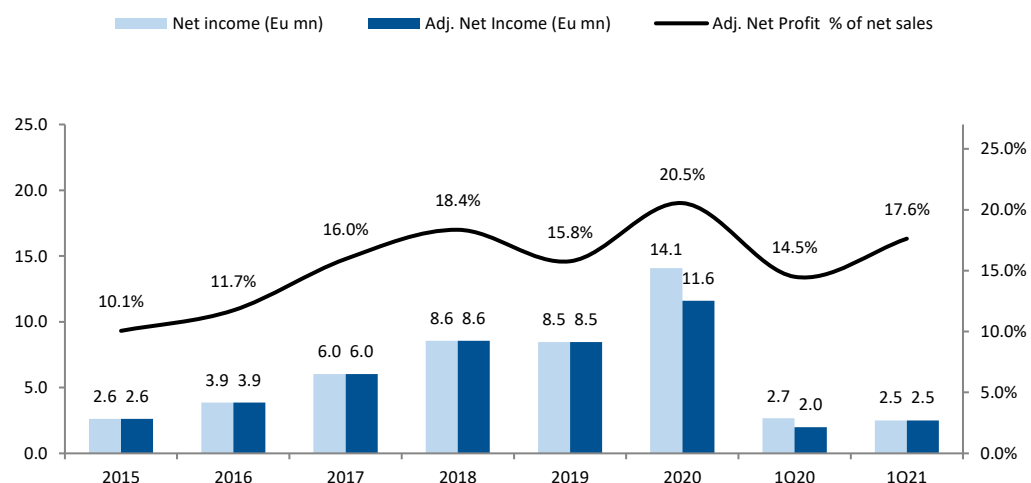
Source: Company Data

Considering the limited financial leverage, interest costs are negligible.

Looking at taxes, it is worth noting that in June 2020 the company reached an agreement with the Italian Inland Revenue on Patent Box, which each financial year grants exclusion from taxable income for some of the income deriving from the use of intellectual property (trademarks, industrial patents, processes, formulas and information relating to experience acquired in the industrial, commercial or scientific field that are legally protectable know-how, designs and models, software protected by copyright). This reduction amounts to 40% for 2016, and 50% for the 2017-2020 period, and relates to corporate income taxes (IRES and IRAP). The tax benefit for the Group amounted to Eu3.4mn for the 2016-2019 period and Eu1.4mn for 2020. The company has already submitted the request to the Italian Inland Revenue in order to benefit from Patent Box regime also for the next years and key terms (economic benefit amount and timeframe) are currently under definition.

FY20 net profit came to Eu14.1mn (Eu8.5mn in FY19). Excluding the net impact of non-recurring items, the Patent Box benefit for 2016-2019 (Eu3.4mn) and other minor tax items, **adj. net profit in FY20 stood at Eu11.6mn, up 37% YoY, or 20.5% of net sales.** In 1Q21 adj. net profit amounted to Eu2.5mn (Eu2.0mn in 1Q20), i.e. 17.6% of net sales.

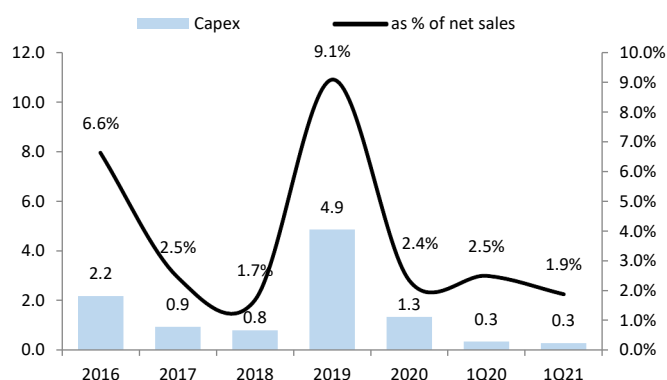
Figure 41: Net Profit and Adj. Net profit trend (2015-2021 1Q)



Source: Company Data

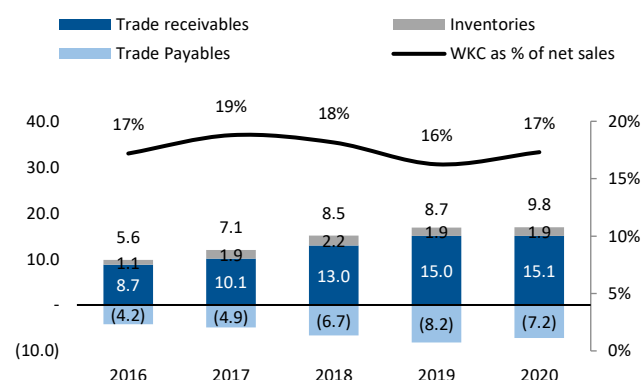
The company has a low-capital intensive business model with CapEx historically at c.2% of net sales, except for FY19 (9% of net sales) due to the Eu3mn extraordinary investment for new HQ. Low CapEx and minimal working capital outflows have resulted in strong EFCF generation.

Figure 42: Capex Trend (2016-2021 1Q)



Source: Company Data

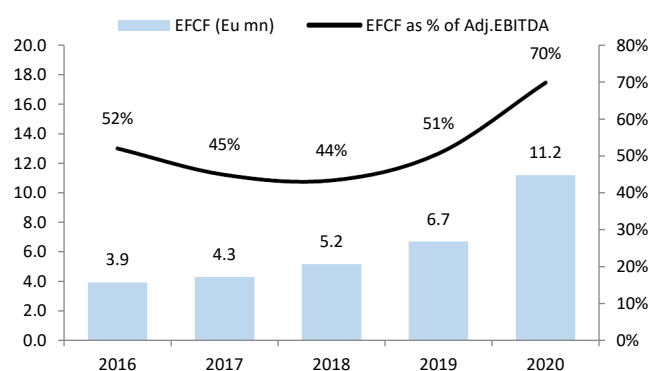
Figure 43: Working Capital Evolution (2016-2020)



Source: Company Data

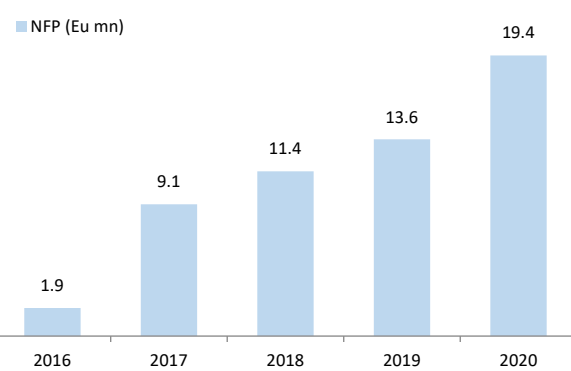
Between 2017 and 2019 gross cash conversion was in the region of 40-50% of adj. EBITDA and reached a 70% peak in FY20. In addition, in 2017 the Group benefitted from Eu8.6mn in IPO proceeds. The Company's highly cash-generative profile allowed it to maintain a generous dividend policy over time, moving from Eu1.7mn in 2016 (44% payout) to Eu6.5mn in 2020 (56% payout).

Figure 44: Equity FCF and Cash Conversion Trend (2016-2020)



Source: Company Data

Figure 45: NFP Trend (2016-2020)



Source: Company Data

Estimates: Still Huge Room to Grow

Our general expectation is that the industry will continue to expand at a steady rate, based on market research and anticipated trends. Furthermore, we believe that PharmaNutra has considerable room to outstrip market growth, based on the expansion of its salesforce coverage in Italy and the opportunity to increase its presence abroad, especially in some key countries where market development is still in its early stages and could take some time, but which have huge growth potential.

Below is a summary of the key assumptions underpinning our projections:

Figure 46: Key underlying assumptions for our 2021-23E projections

Item	Key Assumptions
Revenues	<ul style="list-style-type: none"> - 2020-23 CAGR: +12.7% (2015-20 CAGR +16.7%), 100% organic (no M&A upside included) - high-single-digit growth in FY21 - double-digit growth from FY22 and FY'23 - Iron Market: strengthen the leadership position on the oral iron supplement market - International sales c.33% in FY23 (from 29% in FY20) to reflect the opening of new markets in recently-signed countries and enlargement of product portfolio with existing partners
Operating Costs	<ul style="list-style-type: none"> - COGS stable at c.18% of sales - Selling expenses increasing to 19-20% of sales (17% in FY20) due to expansion of sales network in Italy (from 153 to 200 scientific sales reps) - Marketing back to 12-12.5% of sales (11% in FY20 due to cancellation of many events) - R&D stable at c. 1% of sales (not including personnel costs) - G&A down to c. 27% (from 29% in FY20)
D&A	<p>D&A rates:</p> <ul style="list-style-type: none"> - 5.5% patents, trademarks, licences (useful life of 18 years) - 20% intangible assets (5 years) - 20% capitalised MSR joining fees, trial costs, IPO costs - 25% equipment, 20% other tangibles <p>D&A slightly increasing, c. 2.5% of revenues.</p>
Interest Expenses	negligible
Income Taxes	27.5% tax rate, not including any assumption of Patent Box extension over the next 5 years
Working Capital	<p>low working capital absorption mainly thanks to the outsourcing of production and logistics activities</p> <p>WKC at c. 17-18% of revenues</p>
CapEx	<ul style="list-style-type: none"> - 9-10% of sales in FY21-22 to reflect higher investments related to new HQ and laboratory in Pisa (c.Eu15mn one-time investment) - low maintenance CapEx at 2.5% of sales
Dividend	constant 50% payout in line with historical levels

Source: Intermonte SIM

Figure 47: 2021-23E Estimates - P&L

P&L, Eu mn	FY16A	FY17A	FY18A	FY19A	FY20A	Intermonte Estimates		
						FY21E	FY22E	FY23E
Net Revenues	32.8	37.8	46.6	53.6	56.4	61.7	71.5	80.8
YoY growth	25.4%	15.3%	23.3%	15.0%	5.3%	9.3%	15.9%	13.1%
Other revenues	0.2	0.1	1.5	0.6	2.2	0.7	0.8	0.8
Total Revenues	33.0	37.9	48.1	54.2	58.7	62.4	72.3	81.6
YoY growth	25.7%	14.7%	27.1%	12.7%	8.2%	6.3%	15.9%	12.9%
Opex	(25.5)	(28.4)	(36.3)	(41.0)	(42.7)	(46.6)	(53.9)	(60.6)
Adj. EBITDA	7.5	9.5	11.8	13.2	16.0	15.8	18.4	21.0
YoY growth	52.7%	26.3%	24.5%	11.3%	21.5%	-1.6%	16.8%	14.1%
as % of net sales	23.0%	25.2%	25.4%	24.6%	28.4%	25.6%	25.8%	26.0%
EBITDA	7.5	9.4	12.6	13.2	15.6	15.8	18.4	21.0
YoY growth	52.7%	25.4%	33.2%	4.8%	18.0%	1.4%	16.8%	14.1%
as % of net sales	23.0%	25.0%	27.0%	24.6%	27.6%	25.6%	25.8%	26.0%
Adj. EBIT	6.6	8.9	11.2	12.2	14.7	14.5	17.0	19.0
as % of net sales	20.1%	23.6%	24.0%	22.8%	26.1%	23.6%	23.8%	23.5%
EBIT	6.6	8.9	11.9	12.2	13.2	14.5	17.0	19.0
as % of net sales	20.1%	23.4%	25.6%	22.8%	23.4%	23.6%	23.8%	23.5%
PBT	6.1	8.8	11.9	12.2	13.3	14.6	17.0	19.0
taxes	(2.2)	(2.7)	(3.3)	(3.7)	0.8	(4.0)	(4.7)	(5.2)
tax rate (%)	36.4%	31.2%	27.8%	30.7%	n.m.	27.5%	27.5%	27.5%
Net income	3.9	6.0	8.6	8.5	14.1	10.6	12.3	13.8
YoY growth	0.0%	0.0%	0.0%	-1.2%	66.4%	-24.9%	16.8%	11.8%
EPS (€)	€ 0.40	€ 0.62	€ 0.88	€ 0.87	€ 1.45	€ 1.09	€ 1.27	€ 1.43
Adj. Net income	3.9	6.0	8.6	8.5	11.6	10.6	12.3	13.8
YoY growth	46.5%	56.6%	41.9%	-1.2%	37.1%	-8.9%	16.8%	11.8%
Adj. EPS (€)	€ 0.40	€ 0.62	€ 0.88	€ 0.87	€ 1.20	€ 1.09	€ 1.27	€ 1.43

Source: Intermonte SIM (E), Company Data (A)

Figure 48: 2021-23E Estimates- FCF and Net Debt

FCF, Eu mn	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	3.9	6.0	8.6	8.5	14.1	10.6	12.3	13.8
D&A	0.9	0.6	0.7	1.0	2.3	1.2	1.4	2.0
NWC & Other	(0.2)	(0.9)	(2.8)	2.6	(4.6)	(1.2)	(1.8)	(1.7)
FCFO	5.9	5.7	6.4	12.0	11.8	10.6	12.0	14.1
Capex	(2.2)	(0.9)	(0.8)	(4.9)	(1.3)	(5.6)	(7.2)	(1.6)
as % of net revenues	6.6%	2.5%	1.7%	9.1%	2.4%	9.0%	10.0%	2.0%
Equity FCF	3.9	4.3	5.2	6.7	11.2	5.1	4.9	12.5
M&A	-	-	-	-	-	-	-	-
dividend	(1.3)	(1.7)	(3.2)	(4.8)	(4.5)	(6.5)	(5.3)	(6.2)
buybacks	-	-	-	-	-	-	-	-
equity financing	-	8.6	-	-	-	-	-	-
Other (IFRS16, etc..)	-	-	0.3	0.3	0.9	-	-	-
Change in NFP	2.6	10.8	2.3	2.2	7.7	(1.4)	(0.4)	6.3
Net Fin. Position	(1.7)	9.1	11.4	13.6	19.4	17.9	17.5	23.8
Net Debt/EBITDA	0.2x	-1.0x	-0.9x	-1.0x	-1.2x	-1.1x	-1.0x	-1.1x

Source: Intermonte SIM (E), Company Data (A)

2021-23 Intermonte Estimates: Comparison with Consensus

Our FY21-22E estimates are broadly in line with current consensus and a touch above on FY23.

Figure 49: 2021-23 Intermonte Estimates: Comparison with Consensus

						Intermonte Estimates			Consensus Estimates			Delta vs Consensus		
	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Revenues	32.8	37.8	46.6	53.6	56.4	61.7	71.5	80.8	61.9	72.2	79.5	0%	-1%	2%
YoY growth	25.4%	15.3%	23.3%	15.0%	5.3%	9.3%	15.9%	13.1%	9.7%	16.5%	10.1%			
Adj. EBITDA	7.5	9.5	11.8	13.2	16.0	15.8	18.4	21.0	15.7	18.6	20.4	0%	-1%	3%
YoY growth	52.7%	26.3%	24.5%	11.3%	21.5%	-1.6%	16.8%	14.1%	-2.0%	18.5%	9.7%			
as % of net sales	23.0%	25.2%	25.4%	24.6%	28.4%	25.6%	25.8%	26.0%	25.3%	25.8%	25.7%			
EBITDA	7.5	9.4	12.6	13.2	15.6	15.8	18.4	21.0	15.7	18.6	20.4	0%	-1%	3%
Adj. EBIT	6.6	8.9	11.2	12.2	14.7	14.5	17.0	19.0	14.3	16.6	18.3	2%	2%	4%
as % of net sales	20.1%	23.6%	24.0%	22.8%	26.1%	23.6%	23.8%	23.5%	23.1%	23.0%	23.0%			
EBIT	6.6	8.9	11.9	12.2	13.2	14.5	17.0	19.0	14.1	16.3	18.0	3%	4%	6%
PBT	6.1	8.8	11.9	12.2	13.3	14.6	17.0	19.0	14.4	16.7	18.4	1%	2%	3%
Net income	3.9	6.0	8.6	8.5	14.1	10.6	12.3	13.8	10.8	12.3	13.3	-2%	1%	4%
Adj. Net income	3.9	6.0	8.6	8.5	11.6	10.6	12.3	13.8	10.8	12.3	13.3	-2%	1%	4%
EPS (€)	€ 0.40	€ 0.62	€ 0.88	€ 0.87	€ 1.45	€ 1.09	€ 1.27	€ 1.43	€ 1.11	€ 1.27	€ 1.37			
DPS (€)		€ 0.33	€ 0.50	€ 0.46	€ 0.67	€ 0.55	€ 0.64	€ 0.71	€ 0.64	€ 0.68	€ 0.73			
payout		53%	57%	53%	46%	50%	50%	50%	58%	54%	53%			
Capex	(2.2)	(0.9)	(0.8)	(4.9)	(1.3)	(5.6)	(7.2)	(1.6)	(5.0)	(7.3)	(1.2)			
as % of net sales	6.6%	2.5%	1.7%	9.1%	2.4%	9.0%	10.0%	2.0%	8.1%	10.1%	1.5%			
Equity FCF	3.9	4.3	5.2	6.7	11.2	5.1	4.9	12.5	7.5	6.6	12.2			
NFP/EBITDA	(1.7)	9.1	11.4	13.6	19.4	17.9	17.5	23.8	17.4	17.7	22.9	3%	-1%	4%
NFP/EBITDA	-0.2x	1.0x	1.0x	1.0x	1.2x	1.1x	1.0x	1.1x	1.1x	1.0x	1.1x			

Source: Intermonte SIM (E), Company Data (A), FactSet Consensus (C)

Peers: Unique Positioning Makes Comparison Difficult

In order to assess the sustainability of PharmaNutra's expected sales growth, we compared the Company's trends with those of other European nutraceutical companies.

We initially identified 5 nutraceutical companies through the following selection criteria:

- 2021 EBITDA up to €400mn
- Sales originated by nutraceutical products and/or with a presence in the pharma space
- Companies founded in the last 15-20 years

Then we extended the scope to 3 large pure pharmaceutical companies:

- **Recordati** as the only example of a listed Italian company with some similarities to PharmaNutra, especially looking at the Specialty and Primary care business, which represents c. 80% of Recordati's annual sales.
- **Vifor Pharma**, being a global leader in iron deficiency therapies, but also nephrology and cardio-renal products.
- **Orion** offering primary healthcare prescription drugs and other products for treatment and prevention of the commonest illnesses, but also with a presence in substitutable generic drugs and self-care products such as non-prescription medicines, basic ointments and vitamins.

Within the panel, **BioGaia, Probi and Christian Hansen show the most similarities with PharmaNutra** in terms of business models and growth prospects, although all three companies have an overwhelming exposure to the probiotics segment (BioGaia at 80% on paediatric probiotics, Probi at 100% on gastrointestinal ones, Christian Hansens at 66% on probiotics through its division "food cultures & enzymes") and have greatly dissimilar equity stories.

Looking at the very different product mix and geographical exposure across the panel, we came to the conclusion that PharmaNutra has a unique positioning that makes any comparison with other companies rather complex. We therefore value PharmaNutra through a DCF approach, while only using the multiple comparison as a sanity check.

(see table on the next page)

Figure 50: PharmaNutra's Selected Peers

Eu mn	Business Description	Country	Market Cap	Sales	EBITDA	Margin	Key remarks and sales split	Comparability
BioGaia	Develops health care products such as foods with healthy additives and provides pharmaceutical research services	SE	912	79	28	35%	<ul style="list-style-type: none"> - 100% probiotics - 78% paediatrics, 22% adult - >70% of sales of finished consumer products - EMEA 53%, APAC 23%, Americas 27% - R&D 10% of revs, Marketing& sales 23% of revs, - Flexible business model via distribution agreements abroad /B2C/omni-channel strategy in USA - Capital increase (+SEK1,127mm, c Eu110mn) to finance M&A abroad 	Medium
Christian Hansen	Supplies bioscience based ingredients to the food, health and animal feed industries	DK	9,780	1,075	394	37%	<ul style="list-style-type: none"> - EMEA 38%, AMERICAS 44% (North America 31%, Latam 13%), APAC 18% - Food Cultures & Enzymes 66% (probiotics), Health & Nutrition 34% 	Medium
Clover Corpo.	Sells and produces natural oils, microencapsulated powders	AU	156	41	9	21%	<ul style="list-style-type: none"> - Mostly present on paediatrics - global leader in the delivery of stable omega-3 and omega-6 products for infant - microencapsulation technologies enabling nutritional oils, such as tuna, fish, algal and fungal oils, to be added to infant formula, foods and beverages - 77% APAC (39% AUS/NZ, 38% Asia), 15% Europe, 8% Americas 	Medium/Low
Jamieson Wellness	Manufactures and wholesales vitamin and natural health products	CAN	1,017	295	67	23%	<ul style="list-style-type: none"> - Women hormone health, beauty and sport nutrition. - Distribution model: online and in over 10,000 retail locations across Canada, distributors abroad (across multiple distribution channels) - Vertically integrated (production insourced) 	Low
Orion	Manufactures and markets human and veterinary pharmaceuticals	FIN	4,988	1,028	287	28%	<ul style="list-style-type: none"> - 39% Proprietary drugs, 46% Specialty drugs (35% generic and 21% self care products such as non-prescription medicines, basic ointments and vitamins), 7% Animal Health, 8% CDMO - 76% Europe (28% Finland), 10% Americas, 14% APAC 	Medium/Low
Probi	Develops patents probiotic strains for use in nutritional products	SE	560	75	22	29%	<ul style="list-style-type: none"> - 100% probiotics (100% gastrointestinal) - 79% AMERICAS, 15% Europe, 6% APAC - 100% Vertically integrated (insourced production) 	Medium
Recordati	Manufactures and markets pharmaceutical products	IT	9,561	1,585	611	39%	<ul style="list-style-type: none"> - 100% pharma - 78% primary and specialty care, 22% rare disease - 57% prescription products, 18% OTC 	Medium/Low
Vifor Pharma	Global leader in iron deficiency therapies, but also nephrology and cardio-renal products	CH	7,811	1,695	563	33%	<ul style="list-style-type: none"> - 100% pharma - Iron treatment via intravenous products, Ferinject® and Venofer®, and oral product, Maltofer® - 60% America, 32% EMEA, 8% APAC 	Medium/Low

Source: Intermonte SIM

DCF Valuation: Unlocking the Hidden Value

International M&A transactions, especially in key countries, that would have a positive impact on the group's growth and valuation are not taken into account in our DCF valuation. We believe PharmaNutra's leadership in iron supplements and future growth prospects are still undervalued by the market.

Furthermore, it should be noted that the organisation was not harmed by the Covid pandemic, but actually benefited from it. These factors underpin our assumptions for low-teen organic growth moving to high-single digit levels over the next decade.

We consider the following parameters in perpetuity:

- Terminal growth Rate of 2.5%
- EBITDA margin at c.27.5%
- D&A and CapEx broadly stable at 2.5% of revenues
- Negligible WKC change
- Discount rate: WACC 7.2%

Our Target Price of €46 would imply 27/23x 2021/22 EV/sales and 42/36x 2021/22 P/E, broadly in line with the restricted peer group, and a 27% premium to the current market price.

Figure 51: PharmaNutra – DCF Model

(Eu mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Net Revenues	61.7	71.5	80.8	92.5	104.0	115.6	128.2	142.1	156.8	171.1	177.6	182.0
<i>YoY growth</i>	9.3%	15.9%	13.1%	14.4%	12.5%	11.2%	10.9%	10.8%	10.4%	9.1%	3.8%	2.5%
EBITDA	15.8	18.4	21.0	24.3	27.6	30.9	34.6	38.6	42.9	47.1	49.3	50.0
% margin	25.6%	25.8%	26.0%	26.3%	26.5%	26.8%	27.0%	27.2%	27.4%	27.6%	27.8%	27.5%
D&A	(1.2)	(1.4)	(2.0)	(2.3)	(2.6)	(2.9)	(3.2)	(3.6)	(3.9)	(4.3)	(4.4)	(4.5)
EBIT	14.5	17.0	19.0	22.0	25.0	28.0	31.4	35.0	39.0	42.9	44.9	45.4
% margin	23.6%	23.8%	23.5%	23.8%	24.0%	24.3%	24.5%	24.7%	24.9%	25.1%	25.3%	25.0%
Taxes	(3.5)	(4.1)	(4.6)	(5.3)	(6.0)	(6.7)	(7.5)	(8.4)	(9.4)	(10.3)	(10.8)	(10.9)
<i>tax rate</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>
Change in WC	(1.2)	(1.8)	(1.7)	(2.1)	(2.1)	(2.2)	(2.3)	(2.6)	(2.8)	(2.7)	(1.3)	-
Capex	(5.6)	(7.2)	(1.6)	(2.3)	(2.6)	(2.9)	(3.2)	(3.6)	(3.9)	(4.3)	(4.4)	(4.5)
as % of sales	9.0%	10.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Unlevered FCF	5.5	5.4	13.1	14.5	16.8	19.1	21.5	24.0	26.9	29.9	32.8	34.5
TV												720.4
year		1	2	3	4	5	6	7	8	9	10	11
Discounted WACC		0.93	0.87	0.81	0.76	0.71	0.66	0.61	0.57	0.53	0.50	0.46
Discounted Free cash flow		5.1	11.4	11.8	12.7	13.5	14.1	14.7	15.4	15.9	16.3	333.9

Discounted FCF '22E-31E	131.0
Terminal value	333.9
Total EV (with DCF)	464.9
NFP/(Debt) at YE21E	(17.9)
Minorities	0.0
Treasury shares	0.0
Total EQUITY (Eu mn)	447.0
No. of shares fully diluted (mn)	9.7
Fair value (Eu/share)	46

current price (Eu/share) 36.1
upside/downside vs current price 27%

Source: Intermonte SIM

Figure 52: TP Sensitivity to WACC (%) and g (%)

		g										
		2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%
WACC	6.2%	55	56	57	58	60	61	62	63	65	67	68
	6.4%	52	53	54	55	56	57	58	60	61	62	64
	6.6%	50	50	51	52	53	54	55	56	57	59	60
	6.8%	47	48	49	49	50	51	52	53	54	55	56
	7.0%	45	46	46	47	48	49	49	50	51	52	53
	7.2%	43	44	44	45	45	46	47	48	48	49	50
	7.4%	41	42	42	43	43	44	45	45	46	47	48
	7.6%	39	40	40	41	41	42	43	43	44	44	45
	7.8%	38	38	39	39	40	40	41	41	42	42	43
	8.0%	36	36	37	37	38	38	39	39	40	40	41
8.2%	35	35	35	36	36	37	37	38	38	39	39	

Source: Intermonte SIM

The stock is currently trading at 21/18x 2021/22 EV/EBITDA, at a discount of c.20% to the restricted peer group, and at 33/28x 2021/22 P/E (c. 25% discount).

Figure 51: Key Valuation Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	EV/Sales (x)		EV/Adj.EBITDA (x)		EV/EBIT (x)		Adj. P/E (x)		Div. Yield (%)	
				2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
PHN(@mkt price, our est.)	EUR	36.10	349	5.4	4.6	21.0	18.0	22.8	19.5	33.1	28.3	1.5%	1.8%
PHN (@mkt price, cons.)	EUR	36.10	349	5.4	4.6	21.2	17.8	23.6	20.4	32.7	28.4	1.8%	1.9%
PHN (@mkt price, our est.)	EUR	46	445	6.9	6.0	27.1	23.2	29.4	25.2	42.1	36.1	1.2%	1.4%
BioGaia	SEK	446.50	893	9.3	8.0	26.5	22.6	28.2	23.9	43.8	38.2	1.1%	1.3%
Christian Hansen	DKK	545.20	9,667	9.7	9.0	26.6	23.9	35.5	31.5	45.2	38.9	1.2%	1.4%
Probi	SEK	494.00	558	7.0	6.2	24.1	21.0	35.3	30.0	41.4	36.1	0.2%	0.3%
Restricted Peer Group				8.7	7.7	25.7	22.5	33.0	28.5	43.5	37.7	0.9%	1.0%
Clover	AUD	1.52	159	3.8	3.1	17.9	13.7	18.6	14.1	27.0	20.4	1.3%	1.7%
Jamieson Wellness	CAD	36.70	999	3.7	3.4	16.4	14.5	21.4	17.3	27.6	23.9	1.4%	1.4%
Orion Oyj	EUR	34.86	4,923	4.6	4.4	16.6	15.2	19.9	18.1	26.6	23.3	4.2%	4.4%
Recordati	EUR	45.23	9,459	6.5	6.0	16.9	15.4	20.1	18.2	22.3	20.4	2.4%	2.6%
Vifor Pharma	CHF	130.45	7,731	4.6	4.0	13.8	11.7	21.5	17.2	28.4	23.9	1.6%	1.8%
Broader Peer Group				6.2	5.5	19.8	17.2	25.1	21.3	32.8	28.1	1.7%	1.9%

Source: Intermonte SIM

APPENDIX

Management Team – Board of Directors

The Group's Board of Directors consists of 7 members appointed by the AGM on 27th April 2020 (and further integrated by the AGM on 13th October 2020), who will remain in office for 3 financial years and, therefore, until the approval of financial statements as at 31 December 2022.

Andrea Lacorte
(Chairman)



Mr. Lacorte graduated with honours in Veterinary Medicine in 1982 from the University of Pisa. He is the Chairman (since 1997) and founder of Nutristar S.p.A.

As well as having conducted extensive research in the fields of nutrition and human lipidology, Mr. Lacorte also contributed to the founding of (i) Alesco srl (in 2000), acting as Vice Chairman of the Board of Directors and (ii) PharmaNutra (in 2003), where he is Chairman. Since 2011, he has also been the Vice Chairman of Junia Pharma's Board of Directors.

Andrea Lacorte has led research and created sucrosomial solutions with human applications.

Roberto Lacorte
(Chief Executive Officer)



Mr. Lacorte graduated in Economics and Business from the University of Pisa in 1997. He has had several experiences in accounting firms. He holds the following positions: Director at Nutristar srl (since 2000), Director at Alesco srl (since 2001), Vice-Chairman of the Board of Directors at PharmaNutra (since 2003), Chairman of Junia Pharma's Board of Directors (since 2009). He is registered on the list of chartered accountants and auditors.

Since 2002, he has been involved in start-ups with a particular focus on the shipbuilding sector.

Since November 2005, Roberto Lacorte has taught at the FUCINA institute (training institute of the nautical sector industrial association); owner of the "Management di bordo (on-board management)" course. He is enrolled to the list of Accountants and Auditors.

Carlo Volpi
(Chief Operating Officer)



Mr. Volpi graduated in Economics and Business from the University of Parma in 1991, while also obtaining a Sloan Master in Management from the London Business School of the University of London in 1995. Between 1986 and 1993, he was a financial analyst at Banca Monte Parma.

Between 1993 and 2000, he held several positions within the PAM group. From 2000 to 2002 he was Senior Consultant at McKinsey.

From 2003 to 2006 he held the role of Business Unit Director in Schering AG (pharmaceutical company) in Italy. From 2006 to 2008, he was CEO of Step spa. Between 2008 and 2015, he was the CEO of Vertigo srl. Since 2009, he has been Director and COO at PharmaNutra and is also Chairman of Alesco S.r.l.

Germano Tarantino
(Scientific Director)



Mr. Tarantino graduated in Veterinary Medicine from the University of Pisa in 2003. After having led in-depth studies in the field of clinical human nutrition, he held the role of Scientific Director at PharmaNutra.

Since 2011, he has been PharmaNutra's director. Germano Tarantino has led research and created sucrosomial solutions with human application.

Francesco Sarti
(Chief Financial Officer)



Mr. Sarti was appointed Group CFO in July 2018. With a degree in Business and Economics, he has served as a member of the Board of Directors and CFO of Faper Group SpA., a holding company founded by Fabio Perini that has holdings in companies that represent Italian excellence in paper-making machinery design, sterilisation and large sail and motor boat building sectors. Previously, he served as Group Controller at SNAI SpA, a listed Italian company operating in the entertainment industry. Prior to that, Sarti developed his professional experience at Gucci and Immuno/Baxter, working as a consolidation manager and head of management control. Sarti began his professional career at a leading audit firm.

Figure 52: PharmaNutra BoD Composition

Director	Position	Executive/ Independent	Gender	Year of Birth	Background / Other key positions
Andrea Lacorte	Chair and Executive Director	Executive	M	1960	PharmaNutra Chairman, Junia Pharma Vice Chairman, Alesco CEO
Roberto Lacorte	Vice Chair and Executive Director	Executive	M	1968	PharmaNutra CEO, Junia Pharma Chairman, Alesco BoD member
Carlo Volpi	Director	Executive	M	1965	PharmaNutra
Germano Tarantino	Director	Executive	M	1979	PharmaNutra
Alessandro Calzolari	Director	Independent	M	1960	Director, Chairman of the Board of Statutory Auditors and Statutory Auditor of several joint-stock companies and sole statutory auditor of limited liability companies.
Marida Zaffaroni	Director	Independent	F	1975	Since 2016 partner of Pedersoli law firm.
Giovanna Zanotti	Director	Independent	F	1972	Professor at Università di Bergamo and Bocconi Board member at Banco BPM S.p.A and Digital Value S.p.A
7 BoD members		3/7 independent	2/7 women	avg. Age 53 years	

Source: Company

Shareholder Structure

The share capital amounts to Eu 1,123mn and is divided into 9,680,977 ordinary shares, with no indication of the nominal amount. The Company has only issued ordinary shares; there are no securities granting special rights of control or special powers assigned to the securities. At the time of writing, the Company did not hold any treasury shares.

The company is listed on the AIM segment of the Italian Stock Exchange following its merger with the SPAC IPO Challenger 1. On 23rd September 2020 the company's reference shareholders and Directors General, Andrea Lacorte, Roberto Lacorte and Carlo Volpi (through the holding Beda srl), entered into transactions involving the sale of 80,000 of the company's shares each (representing a total of approximately 2.48% of the company's share capital) at a price of €25.30 per share.

The sale enabled the entry of major international investors and was part of the process of creating the conditions, including the free float required by applicable regulations, for transition to trading on the STAR segment of the MTA from 15/12/2020.

Figure 53: Shareholder Structure

Shareholder	Shares held		% of Ordinary Capital	% of Voting Capital
Andrea Lacorte	3,038,334	*	31.38%	31.38%
Roberto Lacorte	2,238,833	**	23.13%	23.13%
Beda S.r.l. (Carlo Volpi)	1,014,993	***	10.48%	10.48%
Float	3,388,817		35.00%	35.00%
Total	9,680,977		100.0%	100.0%

Source: Company

(*) of which 953,334 shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. by virtue of a specific fiduciary mandate.

(**) of which 953,333 shares through the trust company COFIRCONT Compagnia Fiduciaria S.r.l. by virtue of a specific fiduciary mandate.

(***) Mr. Carlo Volpi is the sole shareholder and sole director of Beda S.r.l.

Shareholders' Agreement and 3-Year Lock-up

- **Parties Involved:** Andrea Lacorte (31.38% of share capital), Roberto Lacorte (23.13%), Beda S.r.l. 10.48%)
- **Syndicated Shares:** 6,292,160 PharmaNutra shares (64.99% of share capital)
- **Lock-up:** commitment not to carry out any direct/indirect transfer of shares to third parties
- **Duration:** 3 years (15/12/2020 – 15/12/2023)

On 12th July 2017, in connection with the framework agreement relating to the listing of the Company's financial instruments on AIM Italia, Andrea Lacorte, Roberto Lacorte, Beda S.r.l. (whose share capital is wholly owned by Carlo Volpi), IPO Challenger 1, Gianni Lazzarini, Germano Tarantino, Vertigo Partners S.r.l., Lorenzo Ligabue, Giovanni Bucarelli and the Issuer signed a shareholders' agreement, which included certain commitments relating to the governance of the Issuer.

Subsequently, on 27th October 2020, this original agreement was amended, through the execution of an amending agreement, in order to limit its effectiveness exclusively to Andrea Lacorte, Roberto Lacorte and Beda S.r.l., on the one hand, and to the Issuer, on the other, as well as to adjust its content in consideration of the planned transfer of the Company's shares from AIM Italia to the MTA. **The Shareholders' Agreement relates to a total of 6,292,160 shares of PHN, representing 64.99% of the share capital, held by PHN Shareholders as at 27th October 2020.**

It should also be noted that the Shareholders' Agreement includes a **lock-up commitment** undertaken by parties to the agreement, in order to satisfy the requirements on the remuneration of Executive Directors set forth by Borsa Italiana for qualification as a STAR issuer (see paragraph B above). In particular, the parties to the agreement have undertaken, in relation to PHN, not to carry out, directly or indirectly, any transaction, even free of charge, that has as its object or effect, directly or indirectly, the assignment and/or transfer to third parties, for any reason and in any form, of ownership, bare ownership or real rights of enjoyment (*jus in re aliena*), on all or part, of the shareholdings included in the Agreement by the aforesaid parties and/or in any case the right (including the right of pre-emption) to exercise any of the rights deriving from the same. Certain transactions indicated in the said Shareholders' Agreement are excluded from the lock-up obligation. **The Shareholders' Agreement is effective from 15th December 2020 (Trading Date on STAR segment) and until the end of the 36th month after such date (15th December 2023).** The document is available at the following [link](#).

Certifications

As a company operating in the health and well-being sector, the quality of its products and business processes is a fundamental factor, to which PharmaNutra pays particular attention through a structured Quality Control system, which regulates activities at every level.

UNI EN ISO 9001:2015



ISO 9001:2015 applies to any organization, regardless of size or industry. PharmaNutra obtained the ISO 9001 certification for the quality management system for the first time in 2007, followed by Junia Pharma in 2012 and Alesco in 2018. The three companies have been 9001:2015 certified since 2018, maintaining ISO standards for the development and production of supplements and medical devices and complying with the management system standard.

SA 8000



SA8000 is an auditable certification standard that encourages organisations to develop, maintain, and apply socially-acceptable practices in the workplace. PharmaNutra and Junia Pharma are certified, on a voluntary basis, for the SA 8000 standard concerning the company's Social Accountability (workplace quality). With this certification, PharmaNutra and Junia Pharma want to align their business goals with their ethical principles, knowing that social accountability represents an added value for the organisation's development.

FARMINDUSTRIA CERTIFICATION



In November 2018 PharmaNutra S.p.A joined Farmindustria, the Association of Pharmaceutical Companies belonging to Confindustria made up of some 200 companies operating in Italy

PLAY SURE DOPING FREE CERTIFICATION



In May 2020, Cetilar® Cream, Cetilar® Patch and ApportAL® products were certified as meeting the requirements of the Play Sure Doping Free specification.

Nutraceutical Industry: a hybrid market with increasing opportunities

PharmaNutra's products are positioned just below pure pharmaceutical formulations and are distinct from generic functional food/nutritional supplements.

The nutraceutical industry covers a wide class of products derived from food sources with extra health benefits in addition to the basic nutritional value present in foods. They can be considered non-specific biological therapies used to promote general well-being, control symptoms, and prevent disease processes. The key rationale behind nutraceuticals is to focus on prevention, while over the years they have attracted considerable interest due to their potential nutritional, safety, and therapeutic effects.

The nutraceutical sector is seen as the common ground where pharma and food companies may find ways to address some current and future challenges to their traditional/core activities. Due to its nature, the nutraceutical market is an opportunity for both consumer food and pharma companies. The industry will be dominated by those able to exploit and drive the convergence of medicine, food and technology.

Figure 54: Trade-off for a Nutraceutical company:

	Challenges	Benefits of Nutraceuticals
Pharmaceuticals	<ul style="list-style-type: none"> – Declining return on R&D investment – 'Patent cliff' – Pressures on health budgets – Regulatory oversight 	<ul style="list-style-type: none"> – Lower R&D costs – New revenue source – Most purchases are by consumers – Less onerous regulatory requirements
Food	<ul style="list-style-type: none"> – Slow growth – Retailer-owned brands – Increasing competition – Retailer power – Internet marketing 	<ul style="list-style-type: none"> – Fast-growing – Source of differentiation and higher margins – Innovative products increase bargaining power – Accepted channel for new products

Source: KPMG, Nutraceuticals: The Future of intelligent food, 2015

Regulation

Regulations and compliance play a key role. The market for nutraceuticals cannot be considered global, as each country has different regulations. In the US and Japan, nutraceuticals are not subject to stringent tests, as long as they do not claim to treat or prevent a specific disease.

The EU regulatory framework is as follows:

- Directive 2002/46/EC "Ensuring safe food supplements in the EU", which "harmonises rules on food supplements to protect consumers from potential health risks and to ensure that they are not provided with misleading information"
- Regulation (EC) No. 1924/2006 "Nutrition and health claims made on food"
- Commission Regulation (EU) No. 432/12 "Establishing a list of permitted health claims made on foods, other than those referring to the reduction of disease risk and to children's development and health"

According to this set of regulations, health claims on products are forbidden if not founded on the basis of scientific proof of the link between the supplement and the declared effect of the product.

In Italy, therapeutic products/drugs must be registered in order to be sold. Registration can take place under either a national (authorisation for commercialisation - Autorizzazione all'Immissione in Commercio) or EU (via the European Medicines Agency) procedure. Some registered therapeutic products/drugs can be sold only with a specific prescription, while others are available over the counter (OTC).

Non-therapeutic products, such as nutraceuticals, only require preliminary notification of their label to the Ministry of Health. Once the notification procedure is successfully completed, nutraceutical products are added to a list with their own code. Some supplements sold as notified products can also be included or form part of registered products. Usually these are drugs against coughs and colds, probiotics and analgesics.

The European Nutraceutical market

Nutraceuticals continue to gain ground. The European nutraceutical industry has so far experienced exceptional growth rates. Growth of the nutraceutical market is driven by an ageing population, rise in disposable income, increasing healthcare awareness, and higher occurrence of allergies/intolerance. Nutraceuticals are expected to play a central role in prevention, especially by mitigating the effect of lifestyle-related diseases in an ageing population, along the lines of making healthier choices earlier in life. Consumers share the perception that the onset of many chronic diseases can be prevented with intake of proper nutritious supplements.

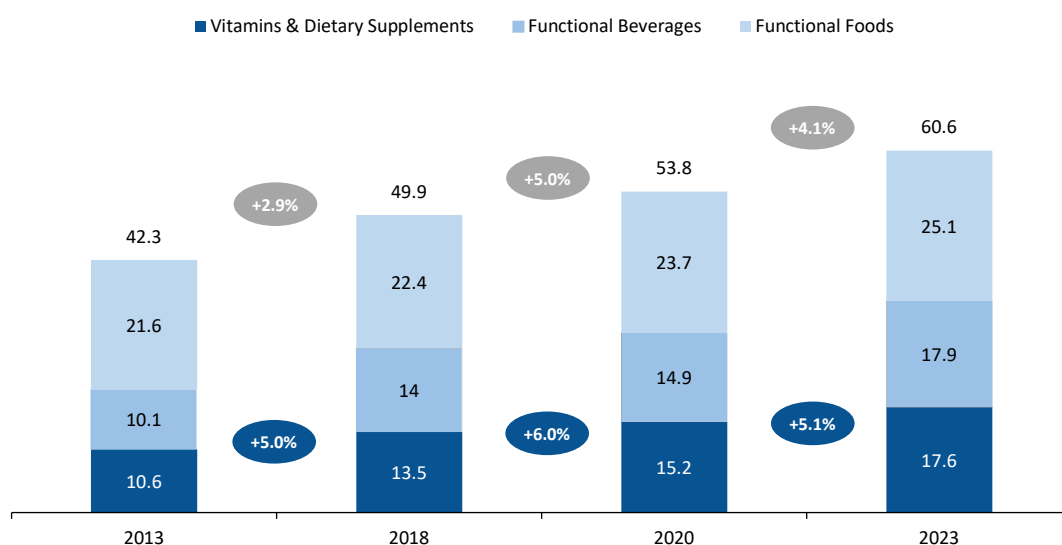
Ageing/healthy ageing. Increases in life expectancy are boosting demand for medical treatments, health care services, and nutritional products, and will continue to do so.

Global growth in middle class population. The observed global growth in the middle class is expected to continue, and will increase demand for all goods and services associated with a healthier lifestyle.

Increasing opportunity to divert spending from medical services to nutrition and wellness. As a consequence of both policymaking and the shift in consumer lifestyles, there is a consensus on a switch from medical services to nutrition and wellness expenditure. Pharmacies are reducing prices/margins for traditional medical prescriptions. In Italy, in common with other countries in the western world, nutraceuticals represent a suitable alternative to traditional prescription drugs, which deliver gradually decreasing margins for pharmacies.

The European Nutraceuticals market has shown high, steady growth rates, and is expected to accelerate in the coming years; the Vitamins & Dietary Supplements segment has consistently shown strong growth over the last 2 years that is expected to continue in the years to come.

Figure 55: European Nutraceutical Market Value (Eu bn)

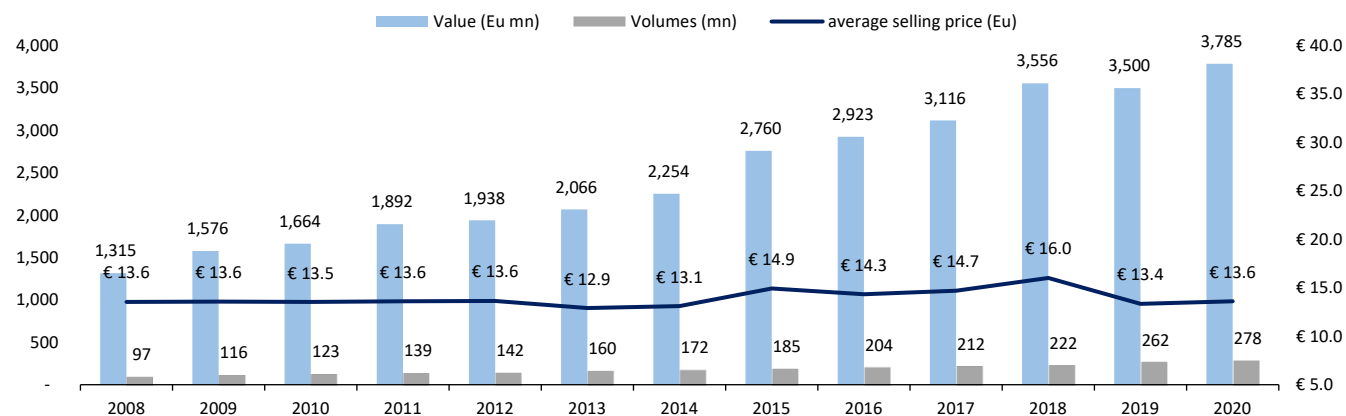


Source: Euromonitor International, Consumer Health 2021 Edition/Health and Wellness 2020 Edition

Overview of the Italian Food Supplements market²

As at YE20, the Italian Food Supplements market had reached a value of almost €3.8bn, with 278mn units sold, implying a 9.2% CAGR between 2008 and 2020.

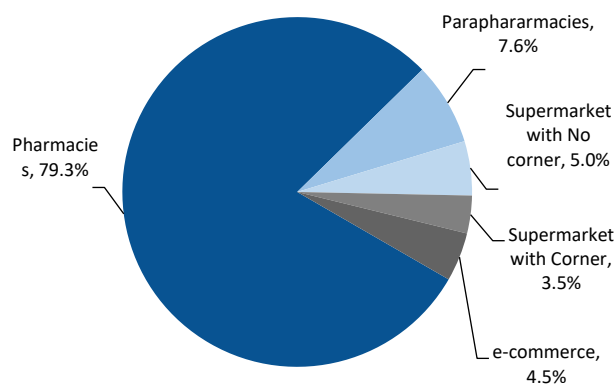
Figure 56: Evolution of the Italian Food Supplements Market (2008-2020)



Source: IQVIA Solutions Italy

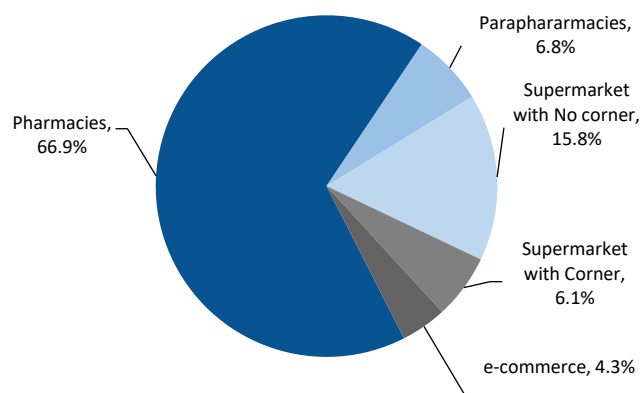
The local pharmacy is the main distribution channel, with a market share of 79% in value terms, followed by the parapharmacy (only allowed to sell non-medicinal products) and the large-scale retail trade, both with shares of 8%, and e-commerce with 5%.

Figure 57: Market Value Split by Channel (2020: Eu3.79bn Value)



Source: PharmaNutra Annual Report 2020

Figure 58: Market Volumes Split by Channel (2020: 278mn Volumes)

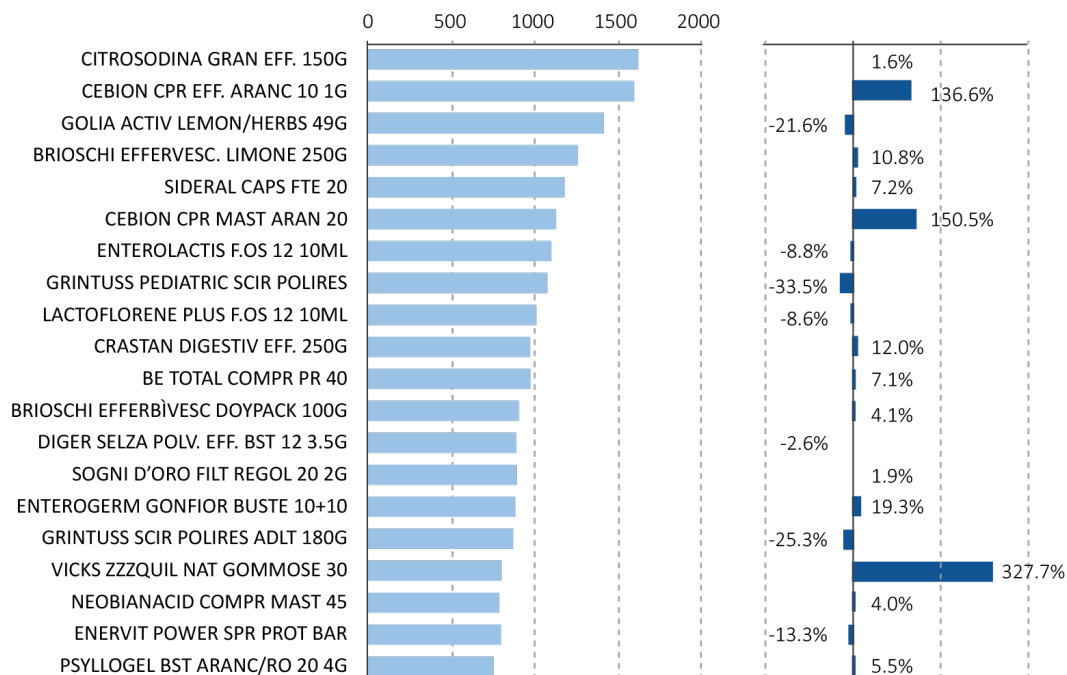


Source: PharmaNutra Annual Report 2020

² Source: PharmaNutra Annual Report 2020, IQVIA Solutions Italy data processing - rolling year ending December 2020

In 2020, SiderAL® Forte was confirmed as one of the best-selling products on the food supplements market, occupying fifth place among the top 20 product codes in terms of sell-through volume.

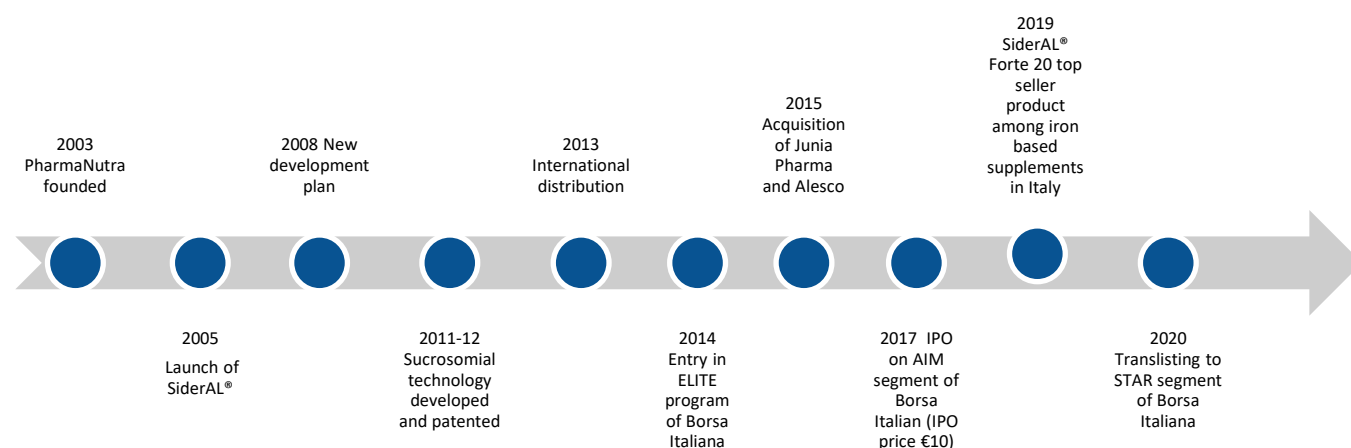
Figure 59: Top 20 food supplement products (sell-through volume 2020), Sideral® Forte ranked 5th



Source: Company Presentation

History: a Continuous Journey of Innovation and Growth

Figure 60: Company History 2003 -2020



Source: Intermonte SIM, Company

Key Milestones of Group history:

- **2000:** foundation in Pisa by the Lacorte brothers of Alesco, a new company specialised in nutraceutical raw materials.
- **2003:** foundation of PharmaNutra to develop medical devices and nutraceutical products.
- **2005:** market launch of SiderAL®, the company's first proprietary brand, distributed by its agents
- **2008:** new strategic plan - PharmaNutra opens to external investors to launch a new development plan.
- **2010:** establishment of Junia Pharma, a new company focusing on the paediatric sector, combining PharmaNutra nutraceuticals and Farmigea ophthalmology expertise
- **2011-12:** Sucrosomial technology developed and patented.
- **2013:** International distribution - signing of the first foreign distribution contract.
- **2014:** PharmaNutra enters the Borsa Italiana Elite programme to consolidate and accelerate its growth.
- **2015:** Acquisition of Junia Pharma and Alesco
- **2016:** The SiderAL® raw materials patent is voted "Readers' Ingredient of the Year" by the scientific journal Nutraingredients.
- **2017:** PharmaNutra Group listed on the AIM market of the Italian Stock Exchange, (IPO price €10) through the innovative pre-booking company IPO Challenger® promoted by Electa.
- **2019:** SiderAL® Forte 20 capsule is the best-selling nutritional supplement in Italy (Federsalus-IQVIA data).
- **2020:** Transition to STAR segment of Borsa Italiana.
- **2023:** New HQ - the new offices in Pisa will house one of the most innovative molecular biology laboratories in Europe.

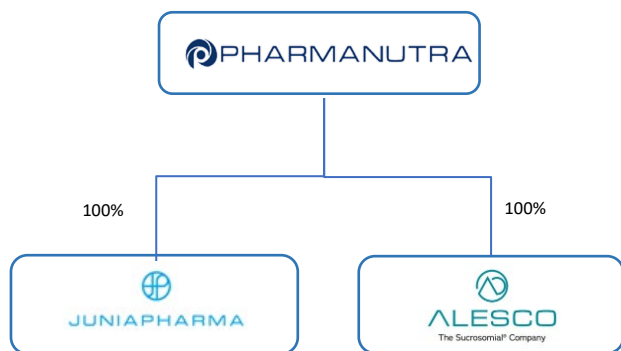
Group structure

The PharmaNutra Group of Italian companies based in Pisa specialises in the pharmaceutical and nutraceutical sectors. Through its parent company PharmaNutra S.p.A., the Group owns 100% of Junia Pharma S.r.l. and Alesco S.r.l.

- **PharmaNutra S.p.A.** (listed holding company), established 2003; distribution of proprietary medical devices and dietary supplements for adults;
- **Junia Pharma S.r.l.** (products for children), established 2010, fully owned since 2015; development and distribution of drugs, medical devices, OTC and nutritional supplements with a focus on paediatric products.
- **Alesco S.r.l.** (raw material production and R&D) established 2000; manufacturing of proprietary raw materials (active ingredients) and exclusive distribution in Italy of functional ingredients chosen from the world's most important producers.

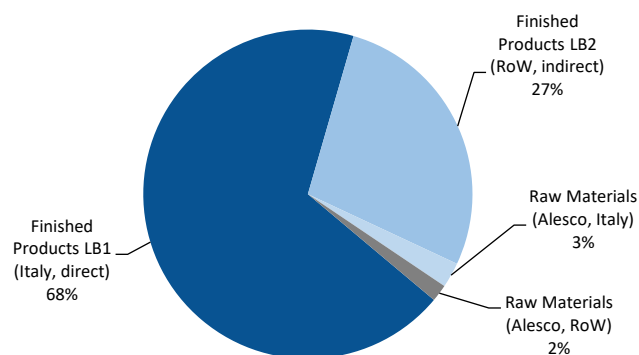
The Group's activities are split into 2 business lines: sale of finished products (PharmaNutra and Junia Pharma) and sale of raw materials (Alesco).

Figure 61: Group Structure and Subsidiaries



Source: Company

Figure 62: Revenue breakdown by line of business (2020)



Source: Company

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	PHARMANUTRA		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	46.00	Previous Target (Eu):	--
Current Price (Eu):	36.10	Previous Price (Eu):	--
Date of report:	03/06/2021	Date of last report:	--

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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period.

NEUTRAL : stock performance expected at between +10% and - 10% compared to the market over a 12 month period:

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period:

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

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CONFLICT OF INTEREST

CONFLICT OF INTEREST
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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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