

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu70.80 - Target: Eu86.00

Margins Much Better, Solid Commercial Momentum

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Stock Rating

Rating: Unchanged

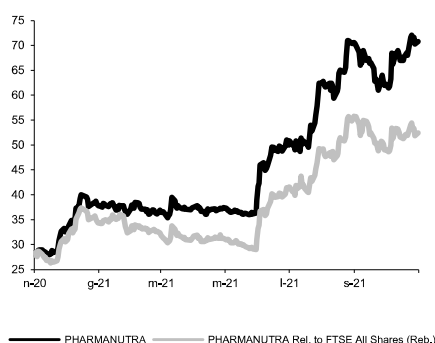
Target Price (Eu): from 84.00 to 86.00

	2021E	2022E	2023E
Chg in Adj EPS	8.9%	1.5%	1.5%

Next Event

FY21 Results Out March 2022

PHARMANUTRA - 12M Performance



Stock Data

Reuters code: PHNU.MI

Bloomberg code: PHN IM

Performance	1M	3M	12M
Absolute	13.8%	13.5%	152.0%
Relative	7.3%	6.8%	109.9%
12M (H/L)		72.00/28.00	
3M Average Volume (th):		13.12	

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	685
Total Mkt Cap (Eu mn):	685
Mkt Float - Ord (Eu mn):	240
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	44
BVPS (Eu):	4.59
P/BV:	15.4
Net Financial Position (Eu mn):	20
Enterprise Value (Eu mn):	665

■ **Impressive profitability on the back of strong commercial results.** The Group reported a positive surprise on margins, with 9M adj. EBITDA coming in +12% above estimates and adj. bottom line 14% better, while the top line was broadly in line with forecasts. PHN had already released very strong commercial KPIs that showed an 85% YoY increase in sales volumes in 3Q (9M: +18% YoY) confirming growth in Italy (805k units sold, +32% YoY), and increased units sold in foreign markets (1,917k, +123% YoY). This translated into a QoQ improvement in top line growth (3Q: +21%, 2Q: +17%, 1Q: +4%) underpinned by a gradual return to normality for sales and in-person medical information in Italy (+24% YoY), while abroad the top line increase (+14% YoY) was linked to the expected recovery in volumes due to a different timing of orders. Margins on net sales remained strong (3Q: 32.5%, 9M: 32.1%): the increase in sales (+€8.6mn YoY in 9M) more than offset the physiological increase in OpEx from the higher volumes generated. The icing on the cake was healthy FCF generation (9M: €8.2mn, our exp. €6.8mn) almost entirely allocated to dividends (€6.5mn), leading to an NFP of €20.9mn, +€1.5mn vs. YE20.

■ **Confident tone from conference call:** a) FY21 outlook: management is confident of beating current consensus, in terms of both the top line (trending towards €70mn) and margins, while in the coming years it would be happy to return to a more standard level of profitability, investing in growth; b) M&A: 4 targets on the radar (2 very interesting), with complementary products and/or sales networks in Italy and abroad (key countries US, UK, France); c) China: cross-border partnership signed with Italian partner SeSa on e-commerce (reducing time to enter the market), while the company will also soon be ready to enter the market with a physical presence; d) Sideral: top selling product in Italy but also in Finland, where PHN entered very recently; e) Cetilar: great potential from new oral formulation (not only topical cream use for osteoarticular issues, but now anti-inflammatory drug), targeting a much larger market than Sideral.

■ **Change in estimates.** We are raising our FY21 EBITDA estimates by 8% to embed a higher level of profitability (29%, vs. 27.1% previously), implying prudent 8.5% growth in 4Q (21% margin). For the coming years we are raising our top line/EBITDA assumptions by 0.6%/1.5%. This leads to an EPS revision of +9% for FY21 and +1.5%-1.9% for FY22-24.

■ **BUY confirmed; new target €86 (from €84).** On the back of new estimates, we are raising our DCF-based TP to €86 (from €84), leaving terminal assumptions for both WACC and g unchanged. Further upside may arise from M&A (c.€60-70mn of firepower). Notwithstanding the recent stock rally, the current valuation may still look demanding relative to the sector (on EV/EBITDA and P/E multiples) but estimate direction is extremely supportive, prompting us to remain constructive on the stock. Thanks to its unchallenged leadership in solid oral iron supplements, high entry barriers due to IP protection and a relentless commitment to R&D for new product launches, PHN looks very well placed in a steadily-growing industry. Furthermore, PHN has considerable scope to outstrip market growth trends, leveraging on the expansion of salesforce coverage in Italy, the 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.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	54	56	68	79	90
EBITDA Adj (Eu mn)	13	16	20	21	24
Net Profit Adj (Eu mn)	8	12	13	14	16
EPS New Adj (Eu)	0.874	1.198	1.321	1.483	1.661
EPS Old Adj (Eu)	0.874	1.198	1.214	1.462	1.637
DPS (Eu)	0.460	0.670	0.791	0.741	0.831
EV/EBITDA Adj	12.9	13.9	33.5	31.3	27.0
EV/EBIT Adj	14.0	15.2	35.6	33.8	29.8
P/E Adj	81.0	59.1	53.6	47.7	42.6
Div. Yield	0.6%	0.9%	1.1%	1.0%	1.2%
Net Debt/EBITDA Adj	-1.0	-1.2	-1.0	-0.9	-1.1

PHARMANUTRA – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	47	54	56	68	79	90
EBITDA	13	13	16	20	21	24
EBIT	12	12	13	19	20	22
Financial Income (charges)	-0	-0	0	0	0	0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	12	12	13	19	20	22
Taxes	-3	-4	1	-6	-5	-6
Tax rate	27.8%	30.7%	-5.8%	29.5%	27.5%	27.5%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	8	14	13	14	16
EBITDA Adj	12	13	16	20	21	24
EBIT Adj	11	12	15	19	20	22
Net Profit Adj	9	8	12	13	14	16
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	1.365	1.483	1.661
EPS Adj f.d	0.884	0.874	1.198	1.321	1.483	1.661
BVPS f.d	2.525	2.906	3.897	4.592	5.283	6.203
Dividend per Share ORD	0.500	0.460	0.670	0.791	0.741	0.831
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%	58.0%	50.0%	50.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	9	9	16	14	16	18
Change in NWC	-3	3	-5	-2	-1	-2
Capital Expenditure	-1	-5	-1	-5	-9	-2
Other Cash Items	-0	-0	1	0	0	0
Free Cash Flow (FCF)	5	7	11	7	6	15
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-3	-5	-4	-6	-8	-7
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	2	2	8	1	-2	8
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	6	11	11	15	22	22
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	33	34
Net Cash (Debt)	11	14	19	20	19	26
Group Equity	24	28	38	44	51	60
Minorities	0	0	0	0	0	0
Net Equity	24	28	38	44	51	60
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	138	184	243	685	685	685
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	11	14	19	20	19	26
Enterprise Value	126	170	223	665	667	659
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	25.4%	24.6%	28.4%	29.1%	27.1%	27.2%
EBIT Adj Margin	24.0%	22.8%	26.1%	27.4%	25.1%	24.7%
Gearing - Debt/Equity	-46.5%	-48.2%	-51.3%	-45.7%	-36.2%	-43.4%
Interest Cover on EBIT	192.2	1743.9	nm	nm	nm	nm
Net Debt/EBITDA Adj	-1.0	-1.0	-1.2	-1.0	-0.9	-1.1
ROACE*	91.1%	88.3%	80.2%	88.0%	69.6%	66.5%
ROE*	35.0%	32.2%	35.2%	31.1%	30.0%	28.9%
EV/CE	9.6	12.3	13.5	31.3	23.5	19.8
EV/Sales	2.7	3.2	4.0	9.7	8.5	7.3
EV/EBITDA Adj	10.7	12.9	13.9	33.5	31.3	27.0
EV/EBIT Adj	11.3	14.0	15.2	35.6	33.8	29.8
Free Cash Flow Yield	0.8%	1.0%	1.6%	1.1%	0.9%	2.1%
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

PharmaNutra in Brief

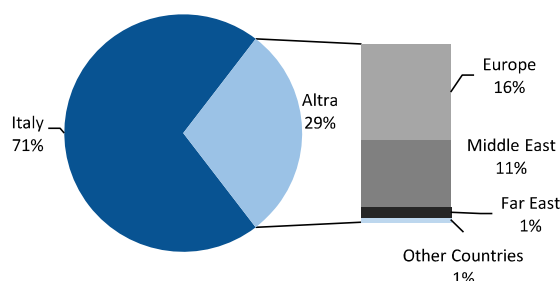
Company description

Founded by the Lacorte brothers and established in 2003, **PharmaNutra** develops unique nutraceuticals and innovative medical devices, overseeing the entire production process from proprietary raw materials to the finished product. With products distributed in Italy (own 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), where it boasts major patents linked to Sucrosomial® Technology and enjoys an overwhelming market share in value terms (>50%). Since YE20 the company's shares have been listed on the STAR segment.

Strengths/Opportunities

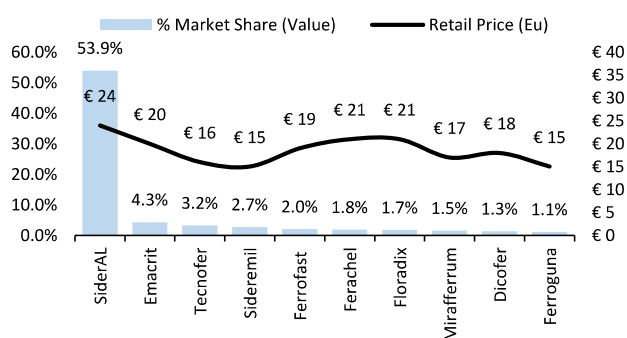
- Unchallenged leadership position in the fast-growing oral iron supplement niche market (>50% market share)
- Intellectual property protection on technologies (Sucrosomial®); no patents expiring before 2032
- Wide salesforce coverage (c.150 single-firm agents) in the domestic market
- Product portfolio highly marketable to the medical profession: quality recognised by physicians
- International growth: enlargement of product portfolio with existing partners, gradual penetration of key countries (Germany, UK, France, China, Japan and USA) using tailored strategies

PharmaNutra – Turnover breakdown by region (Eu56.4mn in 2020)



Source: Company Data

PharmaNutra – SiderAL holds >50% M/S and a retail price premium



Source: Company Data

Management

CEO: Roberto Lacorte
Chairman: Andrea Lacorte
COO: Carlo Volpi
CFO: Francesco Sarti

Next BoD renewal: Spring, 2023
BoD independent members: 3/7
BoD women: 2/7

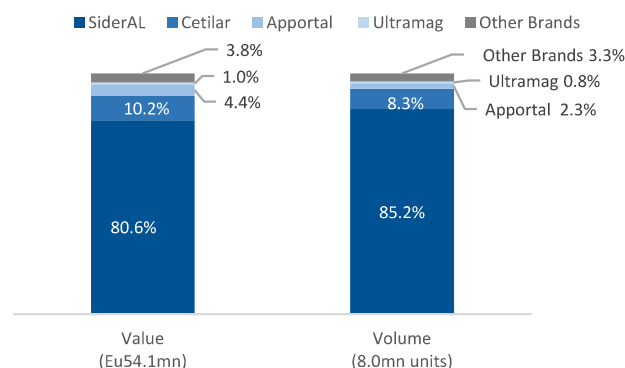
Shareholders

Andrea Lacorte	31.38%
Roberto Lacorte	23.13%
Carlo Volpi (Beda S.r.l.)	10.48%
Market	35.00%

Weaknesses/Threats

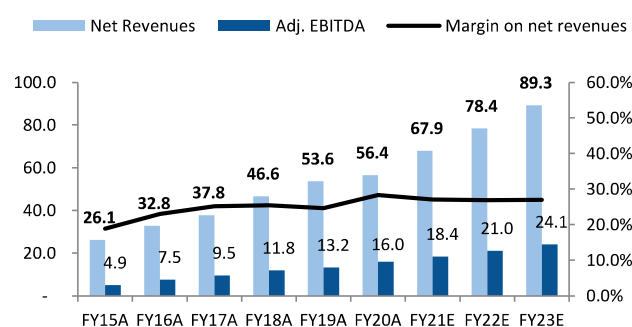
- Pipeline highly concentrated on iron-based products (SiderAL® line c. 81% of sales in FY20)
- Subscale in a sector typically dominated by large global players
- No M&A track record abroad so far
- Dependence on third-party sale distribution agreements internationally

PharmaNutra – Breakdown of finished product sales and volumes in FY20



Source: Company Data

PharmaNutra – Revenue, adj. EBITDA and margin trend



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

3Q/9M21 Results

- The Group reported a positive surprise on margins, with 9M adj. EBITDA above estimates and on adj. bottom line 14% better, while the top line was broadly in line with our expectations.
- The company had already released very strong commercial KPIs that showed an 85% YoY increase in sales volumes in 3Q (9M: +18% YoY) confirming growth in Italy (805k units sold, +32% YoY), and increased units sold in foreign markets (1,917k, +123% YoY).
- This translated into a sequential improvement in top line growth (3Q: +21%, 2Q: +17%, 1Q: +4%) underpinned by the gradual return to normality for sales and in-person medical information in Italy (+24% YoY), while abroad the increase in the top line (+14% YoY) was linked to the expected recovery in volumes due to a different timing of orders.
- Margins on net sales remained very strong (3Q: 32.5%, 9M: 32.1%): the increase in sales (+€8.6mn YoY in 9M) more than offset the physiological increase in OpEx due to the effect of the higher volumes generated; specifically, production and logistics costs were higher (+€2.1mn), as were external network costs (+€0.9mn), but marketing costs also increased (+€1.2mn) as the restrictions put in place to contain the Covid-19 epidemic were eased and it was possible to hold some events that had been banned in 2020.
- The icing on the cake was healthy FCF generation (9M: €8.2mn, our exp. €6.8mn) almost entirely allocated to dividends (€6.5mn) and leading to an NFP of €20.9mn, +€1.5mn with YE20.

PharmaNutra – 9M21 Results: P&L

P&L, Eu mn	1Q21A	2Q21A	1H21A	3Q21A	9M21A	9M21E	A/E	4Q21E	FY21E
Net Revenues	14.2	18.0	32.3	17.0	49.3	49.5	-0.3%	19.0	68.4
YoY growth	4.0%	16.9%	10.9%	47.2%	21.2%	21.6%		20.8%	21.1%
Other revenues	0.1	0.0	0.1	0.2	0.4	0.2		-0.2	0.2
Total Revenues	14.3	18.1	32.4	17.3	49.7	49.7	0.0%	18.9	68.6
YoY growth	-3.5%	14.2%	5.6%	48.1%	17.3%	17.3%		15.5%	16.8%
Opex	(10.5)	(11.7)	(22.1)	(11.7)	(33.9)	(35.5)		(14.8)	(48.7)
Adj. EBITDA	3.9	6.4	10.3	5.5	15.8	14.2	11.6%	4.0	19.9
YoY growth	24.1%	2.2%	9.5%	90.5%	28.6%	15.2%		8.5%	24.0%
as % of net sales	27.1%	35.6%	31.9%	32.5%	32.1%	28.6%		21.2%	29.1%
EBITDA	3.9	6.4	10.3	5.5	15.8	14.2		4.0	19.9
YoY growth	-4.9%	18.8%	8.6%	109.7%	30.7%	17.1%		17.1%	27.7%
as % of net sales	27.1%	35.6%	31.9%	32.5%	32.1%	28.6%		21.2%	29.1%
Adj. EBIT	3.6	6.2	9.7	5.2	14.9	13.3	12.1%	3.8	18.7
as % of net sales	25.0%	34.1%	30.1%	30.6%	30.3%	26.9%		19.7%	27.4%
EBIT	3.6	6.2	9.7	5.2	14.9	13.3		3.8	18.7
as % of net sales	25.0%	34.1%	30.1%	30.6%	30.3%	26.9%		19.7%	27.4%
PBT	3.6	6.2	9.8	5.2	15.0	13.4		3.7	18.7
taxes	(1.1)	(1.7)	(2.7)	(1.4)	(4.1)	(3.8)		(1.4)	(5.5)
tax rate (%)	30.2%	26.8%	28.1%	26.5%	27.5%	28.6%		37.5%	29.5%
Net income	2.5	4.5	7.0	3.8	10.9	9.6	13.8%	2.3	13.2
YoY growth	-5.7%	-35.4%	-27.3%	121.7%	-4.6%	-16.2%		-12.6%	-6.1%
EPS (€)	€ 0.26	€ 0.47	€ 0.73	€ 0.40	€ 1.12	€ 0.99		€ 0.24	€ 1.36
Adj. Net income	2.5	4.1	6.6	3.8	10.4	9.2	14.0%	2.3	12.8
YoY growth	-35.8%	5.5%	12.5%	27.6%	17.2%	2.8%		-13.9%	10.3%
Adj. EPS (€)	€ 0.26	€ 0.43	€ 0.68	€ 0.40	€ 1.08	€ 0.95		€ 0.24	€ 1.32

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

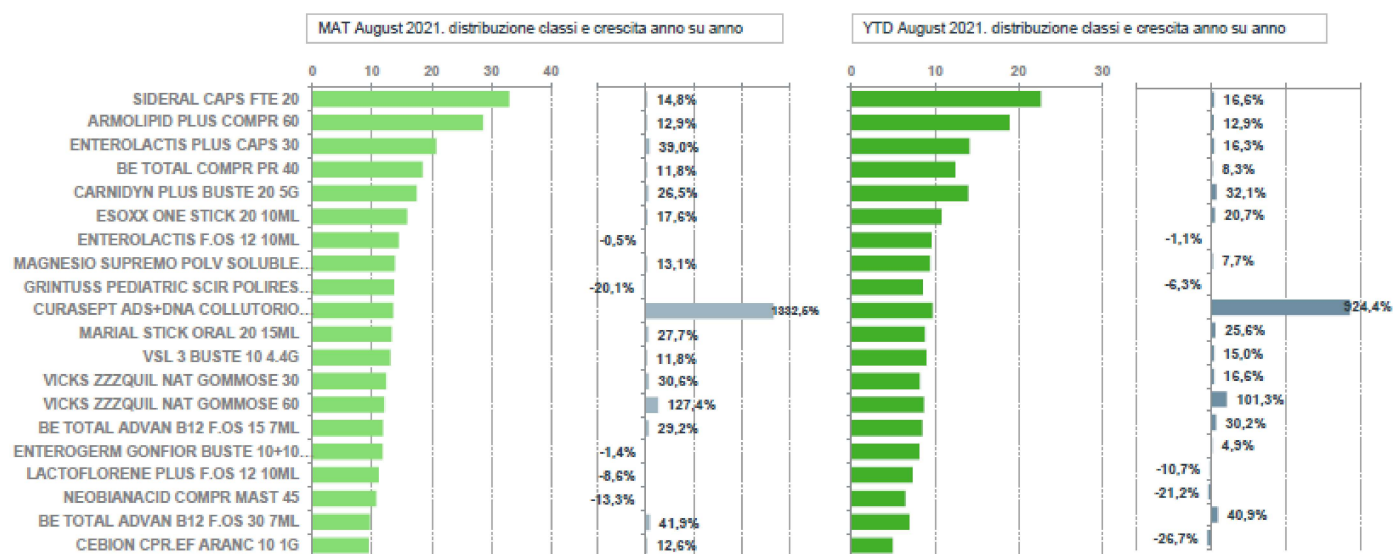
PharmaNutra – 9M21 Results: FCF & Net Financial Position

FCF, Eu mn	1Q21A	2Q21A	1H21A	3Q21A	9M21A	9M21E	A/E	4Q21E	FY21E
Net income	2.5	4.5	7.0	3.8	10.9	9.6		2.3	13.2
D&A	0.3	0.3	0.6	0.3	0.9	0.9		0.3	1.2
NWC & Other	(0.1)	0.1	0.0	(2.0)	(2.0)	(0.5)		0.4	(1.7)
FCFO	2.7	4.9	7.6	2.1	9.8	9.9	-1.7%	3.0	12.7
Capex	(0.3)	(0.7)	(1.0)	(0.6)	(1.6)	(3.1)		(3.7)	(5.3)
as % of net sales	1.9%	4.1%	3.1%	3.4%	3.2%	6.3%		19.3%	7.7%
Equity FCF	2.2	4.5	6.7	1.5	8.2	6.8	20.0%	(0.7)	7.5
M&A	-	-	-	-	-	-		-	-
dividend	-	(6.5)	(6.5)	-	(6.5)	(6.5)		-	(6.5)
buybacks	-	-	-	-	-	-		-	-
equity financing	-	-	-	-	-	-		-	-
Other (IFRS16, etc...)	0.3	(0.5)	(0.2)	0.0	(0.1)	-		-	-
Change in NFP	2.5	(2.4)	0.0	1.5	1.5	0.3	386.9%	(0.7)	1.0
NFP (+cash/-debt)	21.8	19.4	19.4	20.9	20.9	19.7	6.2%	20.2	20.3
Net Debt/EBITDA	-1.4x	-0.8x	-0.9x	-0.9x	-0.7x	-0.7x		-2.5x	-0.5x

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

PharmaNutra – Sideral Forte ranks the top selling product in Italy (sell-out value: +16.6% YoY in Jan-Aug'21, +14.8% YoY in August)

Top 20 referenze di prodotti - sellout a valori prezzo al pubblico nel MAT e YTD



Valori in milioni di euro



Source: IQVIA/Federsalus

Update on commercial pipeline

- **Sideral (79.5% of 9M sales, +21% YoY):** according to IQVIA data for August, SiderAL® Forte is confirmed as the top-selling nutritional supplement in Italy, with an increase of about 17% compared to 30th September 2020. Overall, in 9M21 the SiderAL® line accounted for 54.5% and 47.8% of the Italian iron-based dietary supplements market in terms of value (€66mn market size) and units, respectively.
- **Cetilar (9.9% of 9M sales, +21% YoY):** after the elimination of restrictions on sports activities, the Cetilar® line accounted for 2.3% and 3.3% of the Italian anti-inflammatory topical cream market in terms of value (€236mn market size) and units, respectively.
- **Apportal (6.5% of 9M sales, +77% YoY):** tonic energy and tonic supplement features.
- **Ultramag (1.3% of 9M sales, 51% YoY):** commercial repositioning campaign.

PharmaNutra – Sales Breakdown by Product and Region

By Product, Eu mn	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21E	FY21E
Sideral	10.6	13.8	24.4	13.3	37.7	14.1	51.9
growth YoY	4.5%	11.9%	8.6%	51.9%	20.7%	14.6%	19.0%
as % of FP revenues	78.7%	78.9%	78.8%	76.5%	79.5%	76.8%	78.8%
Cetilar	1.5	1.6	3.2	1.5	4.7	2.0	6.7
growth YoY	7.9%	40.7%	22.5%	17.8%	20.9%	24.5%	22.0%
as % of FP revenues	11.5%	9.3%	10.2%	8.7%	9.9%	11.1%	10.2%
Apportal	0.7	1.3	2.0	1.1	3.1	1.0	4.1
growth YoY	11.4%	136.4%	67.6%	98.2%	77.1%	51.0%	70.0%
as % of FP revenues	5.4%	7.3%	6.5%	6.2%	6.5%	5.3%	6.2%
Ultramag	0.2	0.3	0.4	0.2	0.6	0.2	0.9
growth YoY	32.8%	73.8%	55.8%	40.8%	51.1%	66.4%	55.0%
as % of FP revenues	1.2%	1.6%	1.4%	1.1%	1.3%	1.3%	1.3%
Other Trademarks	0.4	0.5	0.9	0.4	1.3	1.0	2.3
growth YoY	-25.0%	-10.1%	-17.4%	10.4%	-10.8%	87.2%	15.0%
as % of FP revenues	3.1%	3.0%	3.1%	2.3%	2.8%	5.5%	3.6%
FP Revenues	13.5	17.5	31.0	17.4	47.5	18.4	65.9
growth YoY	4.2%	18.5%	11.9%	57.1%	22.4%	20.3%	21.8%
By Region, Eu mn	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21E	FY21E
Italy (LB1)	10.8	13.5	24.3	11.1	35.4	13.8	49.2
growth YoY	8.6%	32.1%	20.5%	33.3%	24.2%	20.2%	23.1%
as of net sales	76.0%	75.0%	75.4%	64.9%	71.8%	72.6%	72.0%
RoW	3.4	4.5	7.9	6.0	13.9	5.2	19.1
growth YoY	-8.1%	-13.1%	-11.0%	84.7%	14.1%	22.5%	16.3%
as of net sales	24.0%	25.0%	24.6%	35.1%	28.2%	27.4%	28.0%
Net Revenues	14.2	18.0	32.3	17.0	49.3	19.0	68.4
growth YoY	4.0%	16.9%	10.9%	47.2%	21.2%	20.8%	21.1%
Units sold ('000)	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21E	FY21E
total units sold	1,700	2,227	3,927	2,723	6,620	2,743	9,363
growth YoY	-0.5%	-7.9%	-4.9%	85.1%	18.2%	12.2%	16.4%
Italy (LB1)	765	983	1,748	805	2,553	1,415	3,969
as % of total	45.0%	44.1%	44.5%	29.6%	38.6%	51.6%	42.4%
growth YoY	2.1%	33.4%	17.6%	31.6%	21.7%	65.9%	34.5%
RoW (LB2)	935	1,245	2,180	1,918	4,098	1,297	5,394
as % of total	55.0%	55.9%	55.5%	70.4%	61.4%	48.4%	57.6%
growth YoY	-2.6%	-26.0%	-17.5%	123.2%	17.0%	-18.5%	5.9%

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

Change in Estimates

We are raising our FY21 EBITDA estimates by 8% to embed a higher level of profitability (29%, vs. 27.1% previously), implying prudent 8.5% growth in 4Q (a 21% margin). Over the coming years we are raising our top line/EBITDA assumptions by 0.6%/1.5%. This leads to an EPS revision of +9% for FY21 and +1.5%/+1.9% for FY22-24.

PharmaNutra – Change in Estimates

P&L, Eu mn	Intermonte Estimates						Old Estimates				New vs Old			
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
Net Revenues	53.6	56.4	68.4	78.8	89.8	100.9	67.9	78.4	89.3	100.3	0.6%	0.6%	0.6%	0.6%
YoY growth	15.0%	5.3%	21.1%	15.4%	13.9%	12.3%	20.3%	15.4%	13.9%	12.3%				
Other revenues	0.6	2.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2				
Total Revenues	54.2	58.7	68.6	79.1	90.1	101.1	68.1	78.6	89.5	100.5	0.6%	0.6%	0.6%	0.6%
YoY growth	12.7%	8.2%	16.8%	15.4%	13.9%	12.3%	16.1%	15.4%	13.9%	12.3%				
Opex	(41.0)	(42.7)	(48.7)	(57.7)	(65.7)	(73.3)	(49.7)	(57.5)	(65.4)	(73.2)				
Adj. EBITDA	13.2	16.0	19.9	21.3	24.4	27.8	18.4	21.0	24.1	27.3	8.1%	1.4%	1.4%	1.7%
YoY growth	11.3%	21.5%	24.0%	7.4%	14.3%	14.0%	14.7%	14.5%	14.4%	13.6%				
as % of net. sales	24.6%	28.4%	29.1%	27.1%	27.2%	27.6%	27.1%	26.9%	27.0%	27.3%				
EBITDA	13.2	15.6	19.9	21.3	24.4	27.8	18.4	21.0	24.1	27.3	8.1%	1.4%	1.4%	1.7%
YoY growth	4.8%	18.0%	27.7%	7.4%	14.3%	14.0%	18.1%	14.5%	14.4%	13.6%				
as % of net. sales	24.6%	27.6%	29.1%	27.1%	27.2%	27.6%	27.1%	26.9%	27.0%	27.3%				
Adj. EBIT	12.2	14.7	18.7	19.8	22.1	25.3	17.2	19.5	21.8	24.8	8.6%	1.4%	1.5%	1.8%
as % of net. sales	22.8%	26.1%	27.4%	25.1%	24.7%	25.1%	25.4%	24.9%	24.5%	24.8%				
EBIT	12.2	13.2	18.7	19.8	22.1	25.3	17.2	19.5	21.8	24.8	8.6%	1.4%	1.5%	1.8%
as % of net. sales	22.8%	23.4%	27.4%	25.1%	24.7%	25.1%	25.4%	24.9%	24.5%	24.8%				
PBT	12.2	13.3	18.7	19.8	22.2	25.3	17.3	19.5	21.9	24.9	8.6%	1.5%	1.5%	1.9%
taxes	(3.7)	0.8	(5.5)	(5.4)	(6.1)	(7.0)	(5.1)	(5.4)	(6.0)	(6.8)				
tax rate (%)	30.7%	n.m.	29.5%	27.5%	27.5%	27.5%	29.5%	27.5%	27.5%	27.5%				
Net income	8.5	14.1	13.2	14.4	16.1	18.4	12.2	14.1	15.9	18.0	8.6%	1.5%	1.5%	1.9%
YoY growth	-1.2%	66.4%	-6.1%	8.7%	12.0%	14.3%	13.5%	16.3%	12.0%	13.8%				
EPS (€)	€ 0.87	€ 1.45	€ 1.36	€ 1.48	€ 1.66	€ 1.90	€ 1.26	€ 1.46	€ 1.64	€ 1.86	8.6%	1.5%	1.5%	1.9%
Adj. Net income	8.5	11.6	12.8	14.4	16.1	18.4	11.8	14.1	15.9	18.0	8.9%	1.5%	1.5%	1.9%
YoY growth	-1.2%	37.1%	10.3%	12.2%	12.0%	14.3%	1.3%	20.4%	12.0%	13.8%				
Adj. EPS (€)	€ 0.87	€ 1.20	€ 1.32	€ 1.48	€ 1.66	€ 1.90	€ 1.21	€ 1.46	€ 1.64	€ 1.86	8.9%	1.5%	1.5%	1.9%

FCF, Eu mn	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
Net income	8.5	14.1	13.2	14.4	16.1	18.4	12.2	14.1	15.9	18.0				
D&A	1.0	2.3	1.2	1.6	2.2	2.5	1.2	1.6	2.2	2.5				
NWC & Other	2.6	(4.6)	(1.7)	(1.4)	(1.8)	(1.9)	(1.3)	(1.7)	(1.8)	(1.9)				
FCFO	12.0	11.8	12.7	14.5	16.5	19.0	12.0	14.1	16.3	18.7	6%	3%	1%	2%
Capex	(4.9)	(1.3)	(5.3)	(8.7)	(1.8)	(2.0)	(5.2)	(8.6)	(1.8)	(2.0)	1%	1%	1%	1%
as % of net sales	9.1%	2.4%	7.7%	11.0%	2.0%	2.0%	7.7%	11.0%	2.0%	2.0%				
Equity FCF	6.7	11.2	7.5	5.9	14.7	17.0	6.8	5.4	14.5	16.7	9%	8%	2%	2%
M&A	-	-	-	-	-	-	-	-	-	-				
dividend	(4.8)	(4.5)	(6.5)	(7.7)	(7.2)	(8.0)	(6.5)	(7.1)	(7.1)	(7.9)				
buybacks	-	-	-	-	-	-	-	-	-	-				
equity financing	-	-	-	-	-	-	-	-	-	-				
Other (IFRS16, etc.)	0.3	0.9	-	-	-	-	-	-	-	-				
Change in NFP	2.2	7.7	1.0	(1.8)	7.5	8.9	0.3	(1.6)	7.4	8.8				

NFP (+cash/-debt)	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
	13.6	19.4	20.3	18.5	26.1	35.0	19.7	18.1	25.5	34.2	3.3%	2.5%	2.2%	2.2%
ND/EBITDA	-1.0x	-1.2x	-1.0x	-0.9x	-1.1x	-1.3x	-1.1x	-0.9x	-1.1x	-1.3x				

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

Comparison of Our 2021-23 Estimates with Consensus

Stronger 3Q results may imply an increase in FY21 consensus on both the top line, to €68-70mn (current consensus €66mn) and adj. EBITDA, to €20mn (currently €18mn).

PharmaNutra – 2021-23 Intermonte Estimates: Comparison with Consensus

	Intermonte Estimates						Consensus Estimates				Delta vs Consensus			
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
Net Revenues	53.6	56.4	68.4	78.8	89.8	100.9	66.3	76.8	87.6	100.2	3.1%	2.7%	2.5%	0.7%
YoY growth	15.0%	5.3%	21.1%	15.4%	13.9%	12.3%	17.5%	12.3%	11.1%	11.5%				
Adj. EBITDA	13.2	16.0	19.9	21.3	24.4	27.8	18.0	20.9	23.8	27.7	10.5%	2.2%	2.3%	0.4%
YoY growth	11.3%	21.5%	24.0%	7.4%	14.3%	14.0%	12.2%	16.1%	14.2%	16.2%				
as % of net. sales	24.6%	28.4%	29.1%	27.1%	27.2%	27.6%	27.1%	27.2%	27.2%	27.7%				
EBITDA	13.2	15.6	19.9	21.3	24.4	27.8	18.0	20.9	23.8	27.7	10.5%	2.2%	2.3%	0.4%
Adj. EBIT	12.2	14.7	18.7	19.8	22.1	25.3	16.8	19.0	21.7	25.4	11.3%	4.0%	2.1%	-0.5%
as % of net. sales	22.8%	26.1%	27.4%	25.1%	24.7%	25.1%	25.3%	24.7%	24.8%	25.4%				
EBIT	12.2	13.2	18.7	19.8	22.1	25.3	16.8	19.0	21.9	25.4	11.6%	4.1%	1.1%	-0.5%
PBT	12.2	13.3	18.7	19.8	22.2	25.3	16.8	19.3	21.7	25.5	11.3%	2.4%	2.1%	-0.4%
Net income	8.5	14.1	13.2	14.4	16.1	18.4	12.1	13.7	15.7	18.1	9.4%	4.6%	2.8%	1.5%
Adj. Net income	8.5	11.6	12.8	14.4	16.1	18.4	12.1	13.7	15.7	18.1	5.9%	4.6%	2.8%	1.5%
EPS (€)	€ 0.87	€ 1.45	€ 1.36	€ 1.48	€ 1.66	€ 1.90	€ 1.23	€ 1.42	€ 1.61	€ 1.87				
DPS (€)	€ 0.46	€ 0.67	€ 0.79	€ 0.74	€ 0.83	€ 0.83	€ 0.66	€ 0.72	€ 0.79	€ 0.88				
payout	53%	46%	58%	50%	50%	44%	54%	51%	49%	47%				
Capex	(4.9)	(1.3)	(5.3)	(8.7)	(1.8)	(2.0)	(4.8)	(8.7)	(2.5)	(2.0)	8.9%	0.1%	29.1%	0.9%
as % of net. sales	9.1%	2.4%	7.7%	11.0%	2.0%	2.0%	7.3%	11.3%	2.9%	2.0%				
Equity FCF	6.7	11.2	7.5	5.9	14.7	17.0	7.4	5.7	12.7	16.7				
NFP (Net Debt)	13.6	19.4	20.3	18.5	26.1	35.0	18.9	18.0	23.7	34.6	7.5%	2.7%	10.2%	1.2%
ND/EBITDA	-1.0x	-1.2x	-1.0x	-0.9x	-1.1x	-1.3x	-1.1x	-0.9x	-1.0x	-1.2x				

Source: Intermonte SIM (E), Factset Consensus (C)

DCF Valuation

On the back of new estimates, we are raising our DCF-based TP to €86 (from €84), leaving terminal assumptions for both WACC (5.8%) and g (3%) unchanged. Further upside may arise from M&A (c.€60-70mn of firepower).

PharmaNutra – DCF Model

(Eu mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Net Revenues	68.4	78.8	89.8	100.9	111.1	121.5	132.3	143.5	154.4	165.0	170.0	175.2
YoY growth	21.1%	15.4%	13.9%	12.3%	10.1%	9.3%	8.9%	8.5%	7.6%	6.8%	3.0%	3.0%
EBITDA	19.9	21.3	24.4	27.8	30.7	33.7	36.8	40.1	43.3	46.6	48.4	49.9
% margin	29.1%	27.1%	27.2%	27.6%	27.7%	27.8%	27.9%	28.0%	28.1%	28.3%	28.5%	28.5%
D&A	(1.2)	(1.6)	(2.2)	(2.5)	(2.8)	(3.0)	(3.3)	(3.6)	(3.9)	(4.1)	(3.4)	(3.5)
EBIT	18.7	19.8	22.1	25.3	27.9	30.7	33.5	36.5	39.5	42.5	45.0	46.4
% margin	27.4%	25.1%	24.7%	25.1%	25.2%	25.3%	25.4%	25.5%	25.6%	25.8%	26.5%	26.5%
Taxes	(4.5)	(4.7)	(5.3)	(6.1)	(6.7)	(7.4)	(8.1)	(8.8)	(9.5)	(10.2)	(10.8)	(11.1)
tax rate	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Change in WC	(1.7)	(1.4)	(1.8)	(1.9)	(1.7)	(1.7)	(1.8)	(1.9)	(1.8)	(1.8)	(0.9)	-
Capex	(5.3)	(8.7)	(1.8)	(2.0)	(2.2)	(2.4)	(2.6)	(2.9)	(3.1)	(3.3)	(3.4)	(3.5)
as % of sales	7.7%	11.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Unlevered FCF	8.5	6.5	15.5	17.8	20.1	22.2	24.3	26.6	28.9	31.3	33.3	35.3
TV												1,282
year		1	2	3	4	5	6	7	8	9	10	11
Discounted WACC		0.95	0.89	0.84	0.80	0.75	0.71	0.67	0.64	0.60	0.57	0.54
Discounted Free cash flow		6.2	13.8	15.0	16.0	16.7	17.4	17.9	18.4	18.8	18.9	690.0

Discounted FCF '22E-31E	159.3
Terminal value	690.0
Total EV (with DCF)	849.3
NFP/(Debt) at YE21E	(20.3)
Minorities	0.0
Treasury shares	0.0
Total EQUITY (Eu mn)	829.0
No. of shares fully diluted (mn)	9.7
Fair value (Eu/share)	86

current price (Eu/share) 70.8

upside/downside vs current price 21%

Source: Intermonte SIM

PharmaNutra - TP Sensitivity to WACC (%) and g (%)

		g										
		2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%
WACC	4.8%	112	116	121	127	133	140	147	156	166	177	190
	5.0%	102	105	110	114	119	124	130	137	145	153	163
	5.2%	93	96	100	104	108	112	117	122	128	135	142
	5.4%	86	89	92	95	98	102	106	110	115	120	126
	5.6%	80	82	85	87	90	93	96	100	104	108	113
	5.8%	74	76	78	81	83	86	88	91	95	98	102
	6.0%	70	71	73	75	77	79	82	84	87	90	93
	6.2%	65	67	68	70	72	74	76	78	80	83	85
	6.4%	61	63	64	66	67	69	71	72	74	76	79
	6.6%	58	59	60	62	63	64	66	68	69	71	73
	6.8%	55	56	57	58	59	61	62	63	65	66	68

Source: Intermonte SIM

Following the recent stock rally, the current valuation may still look demanding relative to the sector (on EV/EBITDA and P/E multiples) but estimate direction is extremely supportive (sales boost from entry into new markets still not embodied in consensus estimates) prompting us to remain constructive on the stock. For FY22/23, the stock is currently trading at 31/27x EV/EBITDA (selected peers: 25/22x) and 48/43x P/E (selected peers: 41/36x).

PharmaNutra: Key Valuation Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)			EV/Sales (x)			EV/Adj.EBITDA (x)			EV/EBIT (x)			Adj. P/E (x)			Div. Yield (%)		
				1m	6m	Ytd	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
PHN(@mkt price, our est.)	EUR	70.8	685	10%	89%	87%	9.7	8.5	7.3	33.5	31.3	27.0	35.6	33.8	29.8	53.6	47.7	42.6	1.1%	1.0%	1.2%
PHN (@mkt price, cons.)	EUR	70.8	685	10%	89%	87%	10.0	8.7	7.6	37.1	32.0	27.8	39.8	35.2	30.2	57.3	49.8	44.2	0.9%	1.0%	1.1%
PHN (@mkt price, our est.)	EUR	85.6	829				11.8	10.3	8.9	40.7	38.0	32.9	43.3	41.0	36.3	64.8	57.7	51.5	0.9%	0.9%	1.0%
BioGaia	SEK	540.00	1,098	24%	35%	1%	12.1	10.6	9.4	34.2	29.3	25.4	36.9	31.4	27.1	54.1	48.1	42.0	0.8%	1.0%	1.1%
Christian Hansen	DKK	520.80	9,232	0%	-10%	-18%	9.4	8.8	8.2	25.7	23.7	21.8	33.9	31.6	28.5	46.4	39.3	35.1	1.3%	1.4%	1.6%
Probi	SEK	419.00	481	28%	-14%	-1%	6.7	6.0	5.4	25.2	21.2	18.9	42.0	32.3	27.6	40.8	34.1	31.0	0.3%	0.3%	0.4%
Restricted Peer Group							9.4	8.5	7.7	28.4	24.7	22.0	37.6	31.8	27.7	47.1	40.5	36.1	0.8%	0.9%	1.0%
Clover	AUD	1.62	173	8%	-13%	-4%	4.5	3.9	3.1	27.6	20.4	15.2	29.7	21.6	15.9	36.9	30.9	22.7	0.6%	1.2%	2.1%
Jamieson Wellness	CAD	39.83	1,109	6%	0%	8%	3.9	3.6	3.4	17.7	15.8	14.4	23.3	18.9	n.a.	30.0	26.6	23.8	1.4%	1.5%	1.7%
Orion Oyj	EUR	38.59	5,438	12%	6%	1%	5.1	5.0	4.7	17.6	16.8	15.5	20.7	19.7	17.9	27.7	25.5	22.7	3.9%	4.0%	4.0%
Recordati	EUR	56.34	11,782	15%	23%	25%	8.0	7.3	6.7	20.8	18.9	17.3	24.7	22.3	20.4	28.4	25.7	23.9	2.0%	2.1%	2.3%
Vifor Pharma	CHF	121.10	7,437	-1%	-6%	-14%	4.3	3.8	3.2	12.8	10.8	8.9	20.0	15.8	12.4	24.6	20.7	17.1	1.8%	2.0%	2.1%
Broader Peer Group							6.8	6.1	5.5	22.7	19.6	17.2	28.9	24.2	21.4	36.1	31.4	27.3	1.5%	1.7%	1.9%

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	PHARMANUTRA		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	86.00	Previous Target (Eu):	84.00
Current Price (Eu):	70.80	Previous Price (Eu):	62.00
Date of report:	09/11/2021	Date of last report:	08/10/2021

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;
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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.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM	04,13 %
SELL:	00,00 %

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UNDERPERFORM	00,00 %
SELL:	00,00 %

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Emittente	%	Long/Short
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COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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