

PHARMANUTRA

Sector: Pharmaceutical

Building Future Growth on “Iron” Basis

We confirm our BUY rating and we lift our Target Price from EUR21.50 to EUR25.00 per share, providing >20% upside to the current share price; following 1H19 results we raised our FY19/20/21 EPS estimates by 6.9% on average. 1H19 results came strong and slightly above our expectations. Both domestic direct sales and international indirect sales posted a solid growth. Profitability remained at a very high level, slightly hampered by an increase in personnel costs. Our new estimates factor in stronger sales in 2020-21 thanks to (i) a solid growth in foreign sales following the recent signing of several distribution agreements and (ii) an acceleration on the Italian market thanks to the positive performance of new proprietary products. We are also including a more favorable tax rate over 19-21 period. Following a strong rally YTD (+32.5%), we reiterate our positive view: ample visibility over FY19 results and solid medium-term growth prospects, deriving from company's proprietary and unique intangible assets, make the stock attractive on FY20 multiples. Upside could come from: the development of new formulations/applications for Sideral® and Cetilar® families; the consolidation of successful brand-new products (e.g. Apportal, Ultramag); a wider penetration of foreign markets (YTD >15 new distribution agreements were signed for Sideral®, Cetilar® and Ultramag®).

- Newsflow.** 1H19 results came slightly above our estimates. Revenues (already disclosed) went up 13.8% YoY to Eu25.1mn. Direct domestic sales (77% of 1H19 revenues) grew by 13.1% (+12.1% in volumes) to Eu19.3mn; indirect international sales (23%) grew by 15.1% YoY (+10.8% in volumes) to Eu5.7mn. EBITDA stood at Eu6.3mn (or Eu6.2 without including IFRS16 adoption vs our estimate of Eu6.0mn), growing by 14.7% YoY. The EBITDA margin (ex-IFRS16) was almost flat YoY and equal to 24.6%. Net profit jumped by 12.2% YoY to Eu4.0mn. Net cash went from Eu11.4mn at YE18 to 11.6 at 1H19 after Eu4.8mn dividends payment (or Eu10.8mn after IFRS16 adoption).
- Catalysts.** In the month of July, Pharmanutra reported record sales volumes in Italy with more than 394,423 pieces sold (+26.2% YoY, +15.2% YTD), outpacing by far the growth rate observed in 1H19 (+12.1% YoY). We appreciate this solid performance, which confirms not only the consolidation of Sideral® products as leader in the iron supplementation market (51.1% market share on values) and the growing penetration achieved by Cetilar® products in the pain relievers market (2.91% market share on values), but also the strong growth of recently launched products (i.e. Apportal® and Ultramag®). Furthermore, the strengthening of commercial structure in terms of territorial focus and coverage (the company target 200 sales representatives by YE20) will support growth going ahead, weighting to some extent on margins. As of international markets, YTD the company signed >15 new agreements for the distribution abroad of its families of products setting the stage for a strong growth in coming years. Pharmanutra recently also announced the signing of the acquisition contract for the land where the new industrial plant will be located. The production site will allow the company to further strengthen its R&D activities and directly oversee the manufacturing of proprietary solutions. M&A could also become a catalyst, mainly to expand direct sales network: we estimate a firepower of Eu30-50mn.
- Estimates.** Following the release of 1H19 results, we revised upward our estimates to incorporate (i) a faster national and international growth in 2020 and to a greater extent in 2021; (ii) a more favorable tax rate. All in all, we have raised our EPS estimate for FY19/20/21 by 4.7/5.0/11.2%. NFP at YE19 is now seen at Eu12.9 (ex-IFRS16) due to lower cash taxes paid. IFRS16 impact (Eu0.25mn EBITDA increase, Eu0.87mn debt increase) is now included in our FY19 figures.
- Recommendation and valuation.** We confirm our BUY rating we lift our Target Price from EUR21.50 to EUR25.00 per share, providing >20% upside to the current share price. Our valuation is the weighted average of a DCF (70%) and a multiples analysis (30%). At our target price the stock would be trading at 15.5x EV/EBITDA and 23.5x P/E on FY20 figures. The stock is trading at discount to its closest international peers.

BUY

Unchanged

TP 25.00

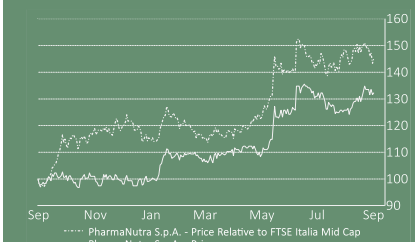
From 21.50

Target price upside: +22%

Change in EPS est.	FY19E	FY20E
	4.7%	5.0%

Ticker (BBG, Reut)	PHN IM	PHN MI
Share price Ord. (Eu)		20.5
N. of Ord. shares (mn)		9.7
Total N. of shares (mn)		9.7
Market cap (Eu mn)		198
Total Market Cap (EU mn)		198
Free Float Ord. (%)		25%
Free Float Ord. (Eu mn)		50
Daily AVG liquidity Ord. (Eu k)		83

	1M	3M	12M
Absolute Perf.	5.1%	6.5%	32.3%
Rel. to FTSEMIDCap	-1.5%	3.8%	41.0%
52 weeks range		15.0	21.0



	FY18A	FY19E	FY20E
Sales	47	53	61
EBITDA adj.	11.8	13.1	14.9
Net profit adj.	7.8	8.5	9.7
EPS adj.	0.808	0.880	1.004
DPS - Ord.	0.500	0.440	0.502
EV/EBITDA adj.	7.1x	14.2x	12.3x
P/E adj.	10.9x	21.9x	19.0x
Dividend yield	5.0%	2.1%	2.4%
FCF yield	5.8%	3.4%	3.1%
Net debt/(Net cash)	(11.4)	(12.1)	(13.7)
Net debt/EBITDA	nm	nm	nm

Analyst

Gianpiero Di Perna
gianpiero.diperna@alantra.com
+39 02 63 671 624

Key Data

P&L account (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	37.9	47.3	53.0	60.9	69.6
Gross margin	12.4	15.2	17.1	19.4	22.8
EBITDA reported	9.5	12.6	13.1	14.9	17.6
D&A	(0.5)	(0.4)	(1.0)	(1.2)	(1.3)
EBIT reported	8.9	11.2	11.9	13.6	16.2
Net financial charges	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Associates	0.0	0.0	0.0	0.0	0.0
Extraordinary items	(0.1)	0.7	0.0	0.0	0.0
Pre-tax profit	8.8	11.9	11.8	13.5	16.1
Taxes	(2.7)	(3.3)	(3.3)	(3.8)	(4.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	0.0	0.0	0.0	0.0
Net profit reported	6.0	8.6	8.5	9.7	11.6
EBITDA adjusted	9.5	11.8	13.1	14.9	17.6
EBIT adjusted	8.9	11.2	11.9	13.6	16.2
Net profit adjusted	6.0	7.8	8.5	9.7	11.6

Margins (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Gross margin	32.6%	32.1%	32.2%	31.9%	32.7%
EBITDA margin (adj)	25.1%	25.0%	24.7%	24.5%	25.3%
EBIT margin (adj)	23.6%	23.6%	22.4%	22.2%	23.2%
Pre-tax margin	23.2%	25.1%	22.3%	22.1%	23.1%
Net profit margin (adj)	15.8%	16.5%	16.1%	15.9%	16.7%

Growth rates (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	15.3%	24.9%	12.2%	14.9%	14.2%
EBITDA	26.2%	32.5%	4.0%	13.9%	18.1%
EBITDA adjusted	26.2%	24.5%	10.6%	13.9%	18.1%
EBIT	35.5%	25.2%	6.5%	13.9%	19.3%
EBIT adjusted	35.5%	25.2%	6.5%	13.9%	19.3%
Pre-tax	44.9%	35.2%	-0.1%	14.0%	19.4%
Net profit	56.6%	41.9%	-0.4%	14.0%	19.4%
Net profit adjusted	55.8%	30.3%	9.0%	14.0%	19.4%

Per share data	FY17A	FY18A	FY19E	FY20E	FY21E
N. of shares AVG	9.681	9.681	9.681	9.681	9.681
N. of shares diluted AVG	9.681	9.681	9.681	9.681	9.681
EPS	0.623	0.884	0.880	1.004	1.198
EPS adjusted	0.620	0.808	0.880	1.004	1.198
DPS - Ord.	0.330	0.500	0.440	0.502	0.599
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	2.235	2.525	2.905	3.469	4.165

Enterprise value (Eu m)	FY17A	FY18A	FY19E	FY20E	FY21E
Share price Ord. (Eu)	10.0	10.0	20.5	20.5	20.5
Market cap	96.8	96.8	198.5	198.5	198.5
Net debt/(Net cash)	(9.1)	(11.4)	(12.1)	(13.7)	(17.8)
Adjustments	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Enterprise value	86.9	84.6	185.5	183.9	179.8

Cash flow (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
EBITDA adjusted	9.5	11.8	13.1	14.9	17.6
Net financial charges	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cash taxes	(2.7)	(3.3)	(2.0)	(3.8)	(4.5)
Ch. in Working Capital	(0.9)	(2.0)	(1.4)	(2.4)	(1.8)
Operating cash flow	5.7	6.4	9.6	8.6	11.3
Capex	(0.9)	(0.8)	(3.0)	(2.5)	(2.1)
FCF	4.8	5.6	6.7	6.1	9.2
Disposals/Acquisitions	0.0	0.0	0.0	0.0	0.0
Changes in Equity	8.6	0.0	0.0	0.0	0.0
Others	6.5	(0.1)	(0.9)	0.0	0.0
Dividends	(1.7)	(3.2)	(4.8)	(4.3)	(4.9)
Ch. in NFP	18.2	2.3	1.0	1.9	4.3

Ratios (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Capex/Sales	2.3%	1.7%	5.6%	4.1%	3.0%
Capex/D&A	1.9x	1.8x	3.0x	2.1x	1.7x
FCF/EBITDA	50.8%	47.6%	50.9%	41.2%	52.1%
FCF/Net profit	80.1%	65.9%	78.3%	63.2%	79.2%
Dividend pay-out	-53.0%	-56.6%	-50.0%	-50.0%	-50.0%

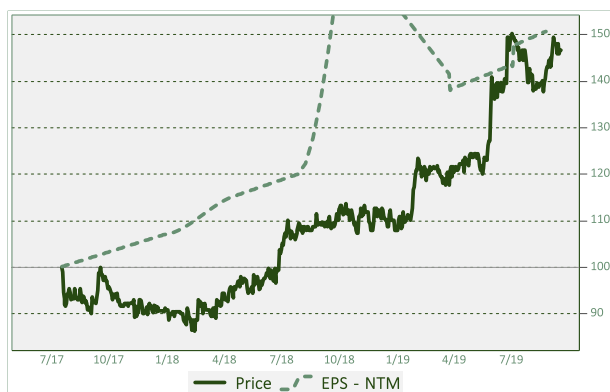
Balance sheet (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Working capital	5.5	8.9	10.3	12.7	14.5
Fixed assets	6.8	7.3	9.9	11.5	12.6
Provisions & others	0.3	(3.1)	(4.2)	(4.4)	(4.6)
Net capital employed	12.5	13.0	16.0	19.8	22.5
Net debt/(Net cash)	(9.1)	(11.4)	(12.1)	(13.7)	(17.8)
Equity	21.6	24.4	28.1	33.6	40.3
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Working capital/Sales	14.5%	18.7%	19.3%	20.8%	20.8%
Net debt/Equity	nm	nm	nm	nm	nm
Net debt/EBITDA	nm	nm	nm	nm	nm

Valuation	FY17A	FY18A	FY19E	FY20E	FY21E
EV/CE	7.1x	5.2x	9.2x	7.6x	6.6x
P/BV	4.5x	4.0x	7.1x	5.9x	4.9x
EV/Sales	2.3x	1.8x	3.5x	3.0x	2.6x
EV/EBITDA	9.1x	6.7x	14.2x	12.3x	10.2x
EV/EBITDA adjusted	9.1x	7.1x	14.2x	12.3x	10.2x
EV/EBIT	9.7x	7.6x	15.6x	13.6x	11.1x
EV/EBIT adjusted	9.7x	7.6x	15.6x	13.6x	11.1x
P/E	16.1x	10.0x	21.9x	19.0x	15.6x
P/E adjusted	16.1x	10.9x	21.9x	19.0x	15.6x
ROCE pre-tax	80.2%	78.5%	65.4%	61.0%	63.0%
ROE	27.7%	32.0%	30.3%	28.9%	28.8%
EV/FCF	18.0x	15.0x	27.8x	29.9x	19.6x
FCF yield	5.0%	5.8%	3.4%	3.1%	4.6%
Dividend yield	3.3%	5.0%	2.1%	2.4%	2.9%

Share price performance

Strong performance since the listing in July 2017



Valuation

Very limited consensus available



International Agreements Newsflow

Since year beginning, Pharmanutra signed several new contracts for the distribution of its products abroad; namely, **in 9 countries for the range of products containing Sucrosomial® iron, in 6 countries as of Cetilar® range and 2 agreements for Ultramag®**. The agreements were signed with tier 1 local distributors, targeting fast growing countries where the level of food supplements penetration is still low but the appetite for supplementation and healthier lifestyle is increasing. We expect this commercial evolution to have a positive impact on company's figures starting from 2020 and strongly in 2021 (a set-up period is needed before distribution starts).

Agreement for the distribution of Sideral® range products signed in: Philippines, Taiwan, India, Bulgaria, South Korea, Pakistan, Greece, Ukraine, Jordan.

Agreement for the distribution of Cetilar® range products signed in: Turkey, Romania, Taiwan, Sweden, Norway, Austria

Agreement for the distribution of Ultramag® range products signed in: Austria, South Korea

Research articles

On August the 12th a research article was published on the "Journal of Orthopaedic Surgery and Research" (very well-known scientific journal targeting a sectorial global audience) titled "Blood management in fast-track orthopedic surgery: an evidence-based narrative review". The main purpose of the work was to highlight key innovations able to keep patients' safety while reducing the amount of transfusions in orthopedic procedures. Key outcome was that pre-operative anemia detection and treatment can add best value to a fast-track pathway, since it provides significant room for planning and prediction and consequent cost savings for hospital facilities. **Sucrosomial® iron solutions, namely Sideral® Forte, is mentioned among pre-operative treatments to obtain a smaller decline in post-operative Hb (hemoglobin) levels, shorter hospital stays and reduced blood transfusions, with a saving of Eu1763.25 per patient for the hospital facility.**

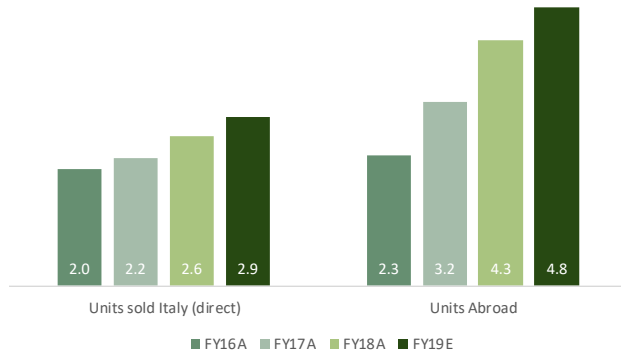
From the Research Article:

*"...Studies on 882 unselected fast-track THA/TKA patients confirmed anemia to be prevalent in elderly patients and to be associated with increased transfusion risk and postoperative morbidity. Iron deficiency is confirmed to be the most common and reversible cause. Fast-track THA non-anemic patients with iron deficiency were supplemented with oral highly absorbable Sideral® Forte (at least) 4 weeks before surgery. They had a smaller decline in post-operative Hb, shorter hospital stays and reduced blood transfusions, generating a saving of 1763.25 € per patient. Therefore, **preoperative Sucrosomial iron® is a cost-effective solution for fast-track THA/TKA (hip and knee arthroplasty) surgery...**"*

Key Charts

Sales Volumes (FY16A-FY19E)

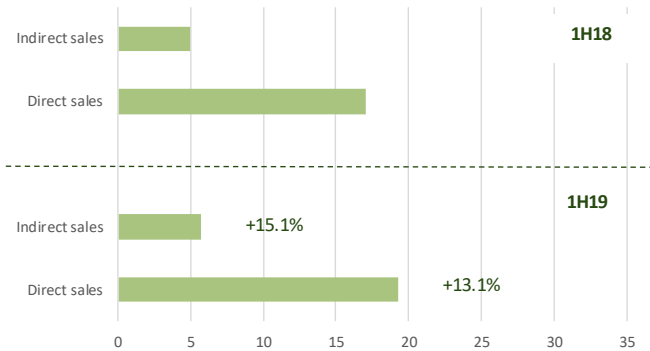
We left our FY19E volumes unchanged, raising our figures for FY20-21



Source: company data and Alantra estimates

Revenue breakdown by channel (FY17A-FY18A)

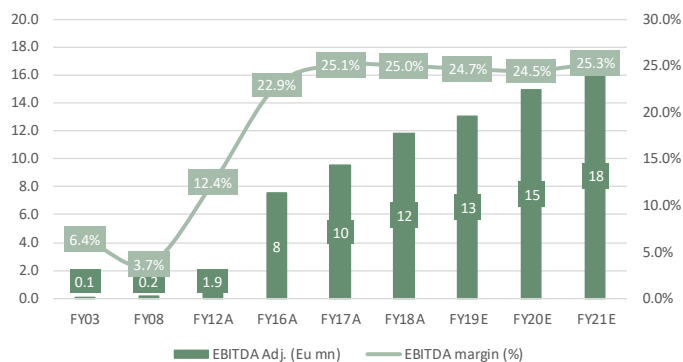
Solid double-digit growth in direct sales; booming acceleration in foreign sales...



Source: company data

Profitability trends (FY03A-FY21E)

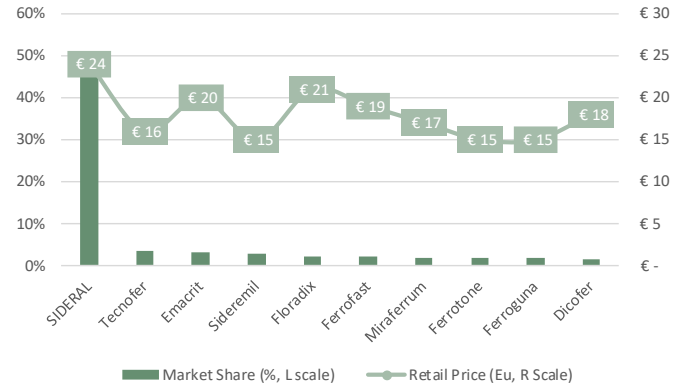
Sustainable high margins from 2017 onwards



Source: company data and Alantra estimates

SiderAL positioning in Italy (FY18A)

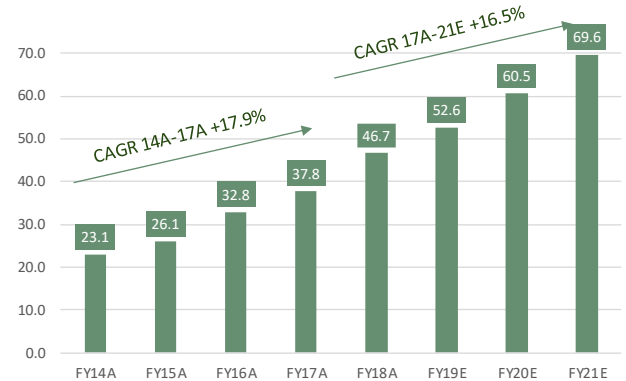
Sideral holds 51.1% of the market as volumes and 43.1% as values in 1H19 and deserves a relevant premium price



Source: company data

Revenue trends (FY14A-FY21E)

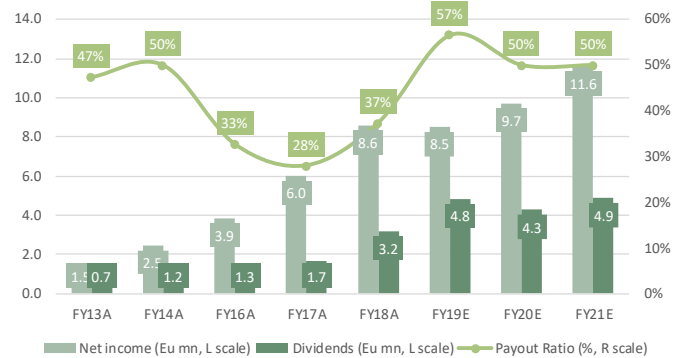
+17.9% CAGR in 2014-17 period; +16.5% CAGR expected in 2017-21 period



Source: company data and Alantra estimates

Dividend (FY13A-FY21E)

Attractive dividends distribution



Source: company data and Alantra estimates

Profile

Background	<p>Pharmanutra, a pharmaceutical company established in Pisa in 2003, develops nutraceutical supplements and medical devices. The Group is mostly active in the markets for iron supplementation (through the SiderAL® branded products based on patented Sucrosomial Iron®) and for joint pain relief (through the Cetilar® branded products). The company operates in 53 countries with 34 partners. The Group's perimeter includes:</p> <ul style="list-style-type: none"> - Pharmanutra (holding company, listed, established in 2003) --> active in the distribution of proprietary medical devices and dietary supplements for adults; - Junia Pharma (established in 2010, fully owned since 2015) --> active in development and distribution of drugs, medical devices, OTC and nutritional supplements with special attention to the pediatric area; - Alesco (established in 2000) --> active in the manufacturing of proprietary raw materials (active ingredients) and in the distribution under exclusivity in Italy of functional ingredients chosen from the world's most important producers.
Positioning	<p>Pharmanutra represents an unicum in the pharmaceutical industry. The Group has successfully developed a fully integrated business model, ranging from pure discovery to direct sale to customers. The Group has the know-how to internally manage the following phases of the value chain: design, development and registration of a new product, manufacturing of raw materials (active ingredients), marketing and communication, sales and training of the Sales Network.</p> <p>Pharmanutra's business model carries the clear advantage to have strongly reduced the Time to Market of the commercialization of a new product from 3-8 years to 1-3 years with respect to traditional pharmaceutical companies where substance discovery and efficacy development is separated from the marketing and sales. The sophisticated Intellectual Property (IP) production and management strategy of Pharmanutra is aiming to create long-lasting competitive advantages and high barriers to protect its assets. The Group has put in place an IP protection strategy incomparable within the dietary supplements and medical devices industry. At 1H19 the group owns 13 (+2 YoY) proprietary raw materials, 10 (+1 YoY) patents based on pure technological innovation, 25 (+3 YoY) registered brands yielding a strong brand awareness in the medical field, and 91 (+15 YoY) completed clinical trials (13 more are on-going) providing a significant amount of clinical evidence. Manufacturing and logistics are outsourced to qualified third-parties (CMO) and closely monitored by the Group.</p>
Growth	<p>The Group has built an impressive growth track record and achieved a 29% revenue and a 43% EBITDA CAGR from 2003 to 2018. Results were mainly driven by (i) the development of new proprietary formulations (Sucrosomial® technology), (ii) the launch of brand-new products, (iii) the establishment of an innovative marketing and sales model (efficient Sales Network), (iv) the expansion abroad (sales outside Italy started in 2013 and have contributed 26% to revenues and 62% to volumes in 2018). The EBITDA margin increased from 6.3% in 2003 to 25.0% in 2018.</p> <p>In FY18-21 we forecast a 13.8%/14.2%/10.7% CAGR for revenues, Adj. EBITDA and Adj. net profit respectively, driven by the development of new applications/formulations for Sideral® and Cetilar® families of products, by the launch of brand-new products, and by a wider penetration of foreign markets.</p>
Strategy	<p>The main growth drivers will be:</p> <ul style="list-style-type: none"> - Continuous R&D efforts: a new R&D center is under development (ca.6mn CAPEX in 2019/2020 period); - Sales Network expansion: to consolidate its market positioning in Italy the Group aims to expand the Sales Network to 200 units by December 2020 (from 130 currently) - Launch of new products: during 2018 8 new products were launched (different new application of Sucrosomial iron®; new child products; a brand-new line on Sucrosomial magnesium®, Apportal®) - Geographical expansion: the objective is to expand the product portfolio among existing partners and to open distribution to new markets (Germany, France, UK and US as main targets) - M&A: targeting Sales Network expansion, creation of foreign direct subsidiaries

Strengths

Reduced time to market of products thanks to a fully integrated value chain
 Proprietary active principles and delivery systems (Sucrosomial technology)
 Efficient Sales Network

Weaknesses

Strong dependence on iron food supplements market
 No direct presence in foreign countries

Opportunities

New product and formulations development
 Geographical expansion through existing and new distributors
 Enlargement of the Sales network

Threats

Regulatory limits on food supplement somministrazione
 New formulations developed by competitors in the iron market

Key shareholders

Andrea Lacorte 32.21%
 Roberto Lacorte 23.95%
 Beda srl 11.31%

Management

Andrea Lacorte - Chairman
 Roberto Lacorte - CEO
 Carlo Volpi - COO

Next events

3Q19 trading statement: Oct 2019

Results

Results

1H19 results came above our estimates as of EBITDA, EBIT and Net Profit

Eu mn	1H18A	1H19A	YoY %	1H19E	A vs E	2H18A	2H19E	YoY %	FY18A	FY19E	YoY %
Revenues	22.1	25.1	13.8%	25.2	-0.4%	24.7	27.9	13.3%	47.3	53.0	12.2%
on sales %	19.8%	13.8%		14.3%		26.7%	13.3%		24.9%	12.2%	
EBITDA Adjusted	5.5	6.3	14.7%			6.3	6.8	7.1%	11.8	13.1	10.6%
Ebitda Margin %	24.9%	25.1%				25.7%	24.3%		25.0%	24.7%	
EBITDA Adjusted (Ex-IFRS16)	5.5	6.2	12.4%	6.0	2.9%	6.3	6.7	5.1%	11.8	12.8	8.5%
Ebitda Margin %	24.9%	24.6%		23.8%		25.7%	23.9%		25.0%	24.2%	
EBIT Adjusted	5.2	5.8	12.3%	5.5	5.5%	6.0	6.1	1.4%	11.2	11.9	6.5%
Ebit Margin %	23.4%	23.1%		21.8%		24.4%	21.8%		23.6%	22.4%	
Net Profit	3.6	4.0	12.2%	3.6	11.1%	4.3	4.5	6.3%	7.8	8.5	9.0%
Net Profit Margin %	16.2%	15.9%		14.3%		20.2%	16.2%		18.1%	16.1%	
NFP end of the period	9.0	10.8		8.3		11.4	12.1		11.4	12.1	
NFP (ex-IFRS16)	9.0	11.6		8.3		11.4	12.9		11.4	12.9	

Source: Factset and Alantra estimates

Estimates

Change in estimates

Following the release of 1H19 results, we slightly increased our top line growth over 2020-21 period and lowered our tax rate over next years; We are now factoring in IFRS16 effect (Eu0.25mn increase on EBITDA; Eu0.87mn increase on debt).

(Eu mn)	NEW estimates				FY18A	FY19E	FY20E	FY21E
	FY18A	FY19E	FY20E	FY21E				
Total Revenues / Value of Production	47.3	53.0	60.9	69.6	0.0%	0.0%	0.3%	5.0%
EBITDA Adj. (Ex-IFRS16)	11.8	12.8	14.7	17.4	0.0%	0.0%	0.3%	5.8%
EBITDA Adjusted	11.8	13.1	14.9	17.6	nm	nm	nm	nm
EBIT Adjusted	11.2	11.9	13.6	16.2	0.0%	0.0%	0.3%	6.2%
Pretax Profit	11.9	11.8	13.5	16.1	0.0%	0.0%	0.3%	6.2%
Net profit	8.6	8.5	9.7	11.6	0.0%	4.7%	5.0%	11.2%
Net profit restated	7.8	8.5	9.7	11.6	0.0%	4.7%	5.0%	11.2%
EPS	0.808	0.880	1.004	1.198	0.0%	4.7%	5.0%	11.2%
Net financial position (Ex-IFRS16)	11.4	12.9	14.5	18.6	0.0%	14.1%	14.4%	12.0%
Net financial position	11.4	12.1	13.7	17.8	nm	nm	nm	nm

Source: Factset and Alantra estimates

Trading multiples

The stock is trading at discount to its closest peers (BioGaia and Clover)

Company	Country	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE			EV/Sales		
			FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
PHARMANUTRA	ITALY	198	14.2 x	12.3 x	10.2 x	15.6 x	13.6 x	11.1 x	21.9 x	19.0 x	15.6 x	3.5 x	3.0 x	2.6 x
Premium (discount) to Peers' Median			-6%	5%	-2%	-28%	-13%	-17%	-19%	-14%	-19%	20%	19%	1%
PEERS			15.0 x	11.7 x	10.4 x	21.6 x	15.6 x	13.3 x	26.8 x	22.1 x	19.2 x	2.9 x	2.5 x	2.6 x
Average			12.8 x	11.6 x	8.4 x	22.0 x	15.9 x	11.4 x	25.6 x	22.1 x	17.7 x	2.0 x	1.7 x	1.7 x
Median														
Clover Corporation Limited	AUSTRALIA	213	25.7 x	21.9 x	18.1 x	26.6 x	22.8 x	20.1 x	37.7 x	32.7 x	26.3 x	4.8 x	4.0 x	3.2 x
BioGaia AB Class B	SWEDEN	670	25.5 x	21.6 x	18.7 x	26.5 x	22.5 x	19.4 x	35.9 x	30.6 x	26.6 x	8.7 x	7.6 x	6.6 x
Boiron SA	FRANCE	580	3.4 x	2.9 x	3.0 x	5.5 x	4.4 x	4.9 x	15.2 x	12.7 x	16.2 x	0.6 x	0.6 x	0.5 x
LABORATORIO REIG JOFRE, S.A.	SPAIN	180	10.6 x	7.5 x	6.0 x	25.8 x	16.4 x	11.4 x	26.2 x	16.9 x	11.8 x	1.1 x	1.0 x	0.9 x
Nature's Sunshine Products, Inc.	UNITED STATES	173	na	na	na	na	na	na	na	na	na	na	na	na
LifeVantage Corporation	UNITED STATES	171	12.8 x	7.8 x	6.5 x	15.7 x	12.1 x	9.9 x	25.0 x	20.4 x	17.7 x	0.8 x	0.7 x	0.6 x
Ceapro Inc.	CANADA	20	24.0 x	na	na	na	na	na	na	na	na	na	na	na
Biosearch, S.A.	SPAIN	63	11.5 x	12.7 x	8.4 x	40.4 x	19.4 x	11.3 x	24.0 x	22.0 x	15.7 x	2.6 x	2.1 x	1.7 x
USANA Health Sciences, Inc.	UNITED STATES	1,458	12.0 x	10.8 x	na	13.9 x	12.0 x	na	19.0 x	15.8 x	na	1.3 x	1.3 x	na
Naturhouse Health SA	SPAIN	117	na	na	na	na	na	na	na	na	na	na	na	na
Jamieson Wellness, Inc.	CANADA	629	13.9 x	12.4 x	na	18.2 x	15.4 x	na	25.5 x	22.2 x	na	3.0 x	2.7 x	na
Vifor Pharma AG	SWITZERLAND	9,356	19.7 x	14.5 x	11.9 x	32.3 x	21.0 x	16.4 x	34.2 x	23.9 x	20.1 x	5.5 x	4.8 x	4.4 x

Company	Country	Mkt Cap (Eu mn)	Dividend Yield			FCF Yield			Net Debt/EBITDA			P/BV		
			FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
PHARMANUTRA	ITALY		2.1%	2.4%	2.9%	3.4%	3.1%	4.6%	nm	nm	nm	7.1 x	5.9 x	4.9 x
PEERS			1.3%	1.4%	1.5%	4.1%	5.6%	5.8%	1.0 x	1.3 x	0.9 x	4.3 x	3.9 x	4.2 x
Average			1.0%	1.3%	1.5%	4.4%	5.3%	6.0%	1.0 x	1.3 x	0.9 x	1.3 x	1.3 x	1.1 x
Median														
Clover Corporation Limited	AUSTRALIA	213	1.0%	1.3%	1.5%	na	na	na	0.1 x	nm	nm	nm	nm	nm
BioGaia AB Class B	SWEDEN	670	2.3%	2.6%	2.9%	2.6%	3.0%	3.4%	nm	nm	nm	13.7 x	12.1 x	10.7 x
Boiron SA	FRANCE	580	3.5%	3.2%	3.3%	7.2%	10.0%	9.0%	nm	nm	nm	1.2 x	1.1 x	1.1 x
LABORATORIO REIG JOFRE, S.A.	SPAIN	180	0.0%	0.0%	0.0%	nm	nm	6.9%	2.0 x	1.5 x	0.9 x	1.0 x	1.0 x	0.9 x
Nature's Sunshine Products, Inc.	UNITED STATES	173	na	na	na	na	na	na	na	na	na	na	na	na
LifeVantage Corporation	UNITED STATES	171	na	na	na	5.1%	5.5%	6.0%	nm	nm	nm	na	na	na
Ceapro Inc.	CANADA	20	na	na	na	na	na	na	na	na	na	na	na	na
Biosearch, S.A.	SPAIN	63	0.0%	0.0%	0.0%	3.8%	3.9%	3.8%	0.4 x	nm	nm	na	na	na
USANA Health Sciences, Inc.	UNITED STATES	1,458	na	na	na	0.5%	nm	na	nm	nm	na	na	na	na
Naturhouse Health SA	SPAIN	117	na	na	na	na	na	na	na	na	na	na	na	na
Jamieson Wellness, Inc.	CANADA	629	1.5%	1.5%	na	5.4%	5.3%	na	1.6 x	1.1 x	na	na	na	na
Vifor Pharma AG	SWITZERLAND	9,356	1.3%	1.3%	1.3%	3.8%	5.1%	6.1%	0.2 x	nm	nm	3.3 x	3.0 x	2.8 x

Source: Alantra estimates and Factset

Financials

Higher economics compared to a broad panel of international peers

Company	Country	Mkt Cap (Eu mn)	FY19E - FY21E average margins					CAGR FY18A - FY21E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	EPS
PHARMANUTRA	ITALY	198	24.8%	22.6%	16.2%	4.2%	50.0%	13.8%	11.9%	13.1%	10.7%
PEERS			19.3%	14.4%	10.1%	4.3%	32.9%	10.1%	15.4%	13.9%	10.1%
Average			17.5%	12.0%	8.5%	2.9%	34.5%	12.4%	19.2%	16.6%	12.6%
Median											
Clover Corporation Limited	AUSTRALIA	213	18.3%	17.3%	12.5%	1.5%	39.8%	18.1%	19.2%	16.6%	19.6%
BioGaia AB Class B	SWEDEN	670	34.9%	33.5%	25.8%	2.1%	80.1%	12.8%	9.8%	9.4%	9.3%
Boiron SA	FRANCE	580	18.5%	11.6%	7.1%	5.6%	49.2%	-3.2%	-9.3%	-17.6%	-14.6%
LABORATORIO REIG JOFRE, S.A.	SPAIN	180	12.6%	5.9%	4.7%	11.7%	0.0%	10.6%	29.4%	23.0%	12.6%
Nature's Sunshine Products, Inc.	UNITED STATES	173	na	na	na	na	na	na	na	na	na
LifeVantage Corporation	UNITED STATES	171	8.5%	5.4%	4.0%	0.9%	na	na	na	na	na
Ceapro Inc.	CANADA	20	na	na	na	na	na	na	na	na	na
Biosearch, S.A.	SPAIN	63	16.6%	10.8%	8.6%	7.7%	0.0%	na	na	na	na
USANA Health Sciences, Inc.	UNITED STATES	1,458	15.4%	12.3%	8.3%	2.9%	na	na	na	na	na
Naturhouse Health SA	SPAIN	117	na	na	na	na	na	na	na	na	na
Jamieson Wellness, Inc.	CANADA	629	21.6%	17.0%	11.3%	2.8%	35.8%	na	na	na	na
Vifor Pharma AG	SWITZERLAND	9,356	32.6%	22.2%	12.8%	3.1%	33.2%	12.4%	28.1%	38.1%	23.4%

Source: Alantra estimates and Factset

Performance

Positive stock performance since the IPO in July 2017

Company	Country	Mkt Cap (Eu mn)	Performance					
			1M	3M	6M	1YR	3YR	5YR
PHARMANUTRA	ITALY	198	5.1%	6.5%	24.2%	32.3%	na	na
PEERS		Average	3.5%	3.0%	-0.5%	-5.7%	29.8%	67.0%
		Median	1.4%	-1.3%	-6.7%	-4.5%	14.8%	49.3%
Clover Corporation Limited	AUSTRALIA	213	1.0%	11.9%	19.3%	32.7%	305.9%	392.9%
BioGaia AB Class B	SWEDEN	670	1.7%	-6.2%	-9.7%	-9.2%	72.5%	164.1%
Boiron SA	FRANCE	580	-11.6%	-13.7%	-36.9%	-44.4%	-61.7%	-49.2%
LABORATORIO REIG JOFRE, S.A.	SPAIN	180	0.0%	-6.7%	-6.7%	-9.6%	-25.1%	-50.4%
Nature's Sunshine Products, Inc.	UNITED STATES	173	9.6%	7.5%	-2.9%	9.0%	-34.4%	-34.3%
LifeVantage Corporation	UNITED STATES	171	13.8%	10.5%	-11.2%	3.0%	30.9%	54.4%
Ceapro Inc.	CANADA	20	-6.3%	-1.3%	5.6%	-1.3%	-79.6%	44.2%
Biosearch, S.A.	SPAIN	63	19.3%	-9.5%	-17.6%	-35.3%	136.6%	76.0%
USANA Health Sciences, Inc.	UNITED STATES	1,458	6.9%	-3.2%	-21.7%	-43.3%	5.8%	100.0%
Naturhouse Health SA	SPAIN	117	-2.3%	-6.8%	-15.7%	-38.5%	-62.4%	na
Jamieson Wellness, Inc.	CANADA	629	9.6%	20.8%	23.7%	-7.8%	na	na
Vifor Pharma AG	SWITZERLAND	9,356	2.1%	13.4%	12.6%	-10.6%	37.8%	89.4%

Source: Alantra estimates and Factset

Disclaimer

Explanation of Ratings: Alantra Capital Markets, S.V. S.A. (Italian Branch) ("Alantra CM (Italian Branch)") Research Department provides six core ratings: BUY, HOLD, SELL, NOT RATED, UNDER REVIEW and SUSPENDED, based on the expected performance over the next 12 months.

BUY: The stock is expected to generate returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative returns during the next 12 months.

NOT RATED: The stock is not covered.

UNDER REVIEW: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

SUSPENDED: Alantra CM (Italian Branch) is precluded from providing an investment rating or price target for compliance reasons.

Due to share price volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

This report has been prepared by Alantra CM (Italian Branch), which is pertaining to the Alantra Group, a financial Spanish group that provides investment banking, asset management, equities brokerage, capital markets and financial advisory services.

Analyst Certification

Each authoring analyst of Alantra CM (Italian Branch) whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

This report is solely for the information of clients of Alantra CM (Italian Branch) and for distribution only under such circumstances as may be permitted by applicable law. Alantra CM (Italian Branch) specifically prohibits the redistribution of this material in whole or in part without the prior written permission of Alantra CM (Italian Branch) and therefore Alantra CM (Italian Branch) accepts no liability whatsoever for the actions of third parties in this respect.

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. The information contained in this research has been compiled by Alantra CM (Italian Branch) from sources believed to be reliable, but no representation or warranty, either expressed or implied, is provided in relation to the fairness, accuracy, completeness or correctness of the information contained herein, nor it is intended to be a complete statement or summary of the securities or markets referred to in this report. Alantra CM (Italian Branch) nor any of its affiliates has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Alantra CM (Italian Branch)'s judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability. Alantra CM (Italian Branch) its affiliated companies or any other person does not undertake that investors will obtain profits nor accept any liability for any investment losses arising from any use of this report or its contents. This report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of the Alantra Group as a result of using different assumptions and criteria. Research will be initiated, updated and coverage ceased solely at the discretion of Alantra CM (Italian Branch). The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Alantra CM (Italian Branch) is under no obligation to keep current the information contained in this report.

From time to time, Alantra CM (Italian Branch) salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our principal trading desk that reflect opinions that are contrary to the opinions expressed in this research. Alantra CM (Italian Branch)'s affiliates, principal trading desk, and investing businesses also from time to time may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Investments involve risks and investors should exercise prudence in making their investment decisions. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Stocks bear significantly risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in a material loss. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been realized at those prices.

Neither Alantra CM (Italian Branch) nor any of the companies pertaining to the Alantra Group nor any of their shareholders, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report.

Except as otherwise specified herein, this material is exclusively communicated by Alantra CM (Italian Branch) to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to retail clients.

The analysts responsible for the preparation of this report may interact with trading desk personnel, sales personnel and investment managers. Alantra CM (Italian Branch), any other company pertaining to the Alantra Group, and any of their shareholders, directors, employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments directly or indirectly the subject of this publication. The Alantra Group relies on information barriers to control the flow of information contained in one or more areas within the Alantra Group, into other areas, units, groups or affiliates of the Alantra Group. The Alantra Group may do and seek to do business with companies covered in its research reports. As a result, investors should be aware that the Alantra Group may have a conflict of interests. Information regarding transactions in which the Alantra Group has acted as an advisor, or provided professional services, is available on Alantra Group's website (<http://www.alantra.com>). The Alantra Group has established, implemented and maintains an effective conflicts of interest policy appropriate to its size and organization and to the nature, scale and complexity of its business. Investors should consider this report as only a single factor in making their investment decisions.

Conflict of interest

In order to disclose its possible conflicts of interest Alantra states that:

- Alantra is Corporate Broker of the following Companies: Openjobmetis, Pharmanutra, Eurotech, DBA, Sirio, Intred, SEIF.

Research Distribution Policy

Alantra CM (Italian Branch) research will be available simultaneously for all of Alantra CM (Italian Branch)'s customers who are entitled to receive the firm's research. Research may be distributed by the firm's sales and trading personnel via email, instant message or other electronic means. Customers entitled to receive research may also receive it via third party vendors. Until such time as research is made available to Alantra CM (Italian Branch)'s customers as described above, Authoring Analysts will not discuss the contents of their research with Sales and Trading or Investment Banking employees without prior compliance consent.

For further information about the proprietary model(s) associated with the covered issuer(s) in this research report, clients should contact their local sales representative.

The disclosures contained in research reports produced by Alantra CM (Italian Branch) shall be governed by and construed in accordance with Spanish and Italian laws.

The receipt of this report implies full acceptance by its recipients of the contents of this disclaimer.

Alantra Capital Markets, S.V. S.A. is the Spanish investment firm located in Madrid, Padilla 17, registered at the Comisión Nacional del Mercado de Valores (CNMV) with number 258. Alantra CM (Italian Branch) is located in Milano (Italy), Via Borgonuovo 16 with number 155.