

Italy - Pharmaceutical

Foreign countries drive growth and profitability

19th April 2018

FY-17 RESULT RELEASE

RIC: PHN.MI
BBG: PHN IM

PharmaNutra reported a soaring set of results, better than our projections at operating level, characterised by more pronounced growth of foreign sales and a much more than proportional progression of margins. The strong improvement in NFP will allow the company to feed further R&D and growth.

Rating:

Buy (Neutral)

Price Target:

€ 17.70 (€ 13.70)

Upside/(Downside): 32.1%

Last Price: € 13.40

Market Cap.: € 129.7

1Y High/Low: € 17.00/€ 12.00

Free Float: 22.2%

Major shareholders:

Andrea Lacorte 30.7%
Roberto Lacorte 22.5%



Stock price performance

	1M	3M	12M
Absolute	3.1%	5.9%	n.a.
Rel.to AIM Italia	3.3%	7.9%	n.a.
Rel.to EU Sector	-16.1%	-8.2%	n.a.

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Estimates upgraded, new PT of € 17.70/s (€ 13.70), rating raised to Buy

We have revised slightly upwards EBITDA on the back of the lower-than-proportional progression of direct costs, material and processing linked to the externalisation process of excipients and active ingredients. Lower D&A as suggested by FY-17 results linked to the light capital structure, prompted an increase in EBIT, as well as consequently in the bottom line. The result is an average upgrade of 6% of EBIT in 2018-19. We have then introduced 2020 forecasts. Moreover, CFO has updated DCF valuation criteria, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018. The combined result is a PT upgraded to € 17.70/share (€ 13.70), with an upside of 32.1% at current prices, thus raising the rating to Buy (Neutral).

FY-17 revenues up 15.3%, exports 22% of total

Revenues grew 15.3% to € 37.9m, driven by the 12.2% increase in domestic sales and by the 28.6% rise in foreign turnover, representing 78% and 22% respectively compared to 81% and 19% of 2016. The strategy to increase the weight of foreign countries is corroborated by numbers and growth perspectives outside Italy. The robust top line increase was the result of R&D investments and clinical activities generating a greater awareness of product efficacy by doctors and a growing quality perception by consumers.

EBITDA up 26.2%, 25.1% margin. Net profit +56.6%, NFP cash positive for € 9.1m

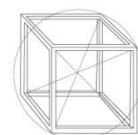
EBITDA soared more than proportionally to top line, +26.2% reaching € 9.5m with a 25.1% margin vs. 22.9% in FY-16, thanks to the lower-than-proportional progression of direct costs, material and processing linked to the externalisation process of excipients and active ingredients. Net profit soared by 56.6% YoY to € 6.0m, 15.9% margin. PharmaNutra has a net cash position for € 9.1m from € 1.9m debt in FY-16, reflecting € 8.5m related to the right issue from the PharmaNutra listing, substantial operating cash flow and the low amount of capex. The BoD will propose the AGM the distribution of an € 0.33/s dividend (53% pay-out, 2.6% yield): ex-dividend May 7, 2018, record date May 8, 2018 and payment on May 9, 2018.

A growing portfolio of promising patented internally developed products

We believe the strongly committed manager/shareholder team leads an unique company which offers 1) internally developed patented growing products in two niches, 2) massive growth perspectives, higher than other pharma firms, 3) appealing dividend yield, and 4) the higher visibility and depth of stock volumes stemming from the move to the MTA/STAR segment within a reasonable timeframe by means of the 18 month fast-track possibility granted by Borsa Italiana.

PharmaNutra, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	32.8	37.9	43.2	49.2	55.1
EBITDA	7.5	9.5	11.1	12.8	14.6
EBIT	6.6	8.9	10.4	11.9	13.6
Net profit	3.9	6.0	6.9	8.0	9.1
Net profit adjusted	4.2	6.1	6.9	8.0	9.1
NFP (cash)/debt	1.9	(9.1)	(11.6)	(14.1)	(17.3)
ROCE	52.5%	33.9%	34.2%	34.1%	33.7%
EPS adjusted FD	0.43	0.63	0.71	0.82	0.94
EPS adj. FD growth	51.9%	46.1%	13.2%	15.5%	14.1%
DPS ord. €/s	0.17	0.33	0.36	0.41	0.47
Dividend yield	1.3%	2.5%	2.7%	3.1%	3.5%
Free Cash Flow Yield	3.3%	3.3%	4.4%	4.5%	5.5%
PER x	31.2	21.3	18.8	16.3	14.3
EV/Sales x	4.00	3.18	2.72	2.34	2.03
EV/EBITDA x	17.5	12.7	10.6	9.0	7.7
EV/EBIT x	19.9	13.5	11.4	9.6	8.2



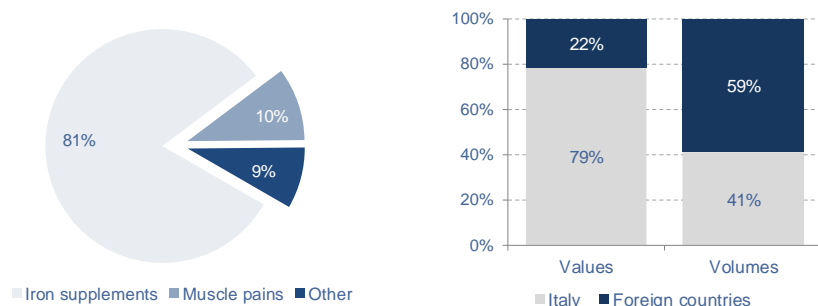
1. PharmaNutra at a glance

PharmaNutra is a **global pharmaceutical firm**, headquartered in Pisa, founded in 2003 with the aim of developing nutraceuticals and medical devices. The group comprises three 100% owned companies: **PharmaNutra** (nutraceutical company, established in 2003, active in the oral iron supplement market and in the muscular pain market), **Junia Pharma** (established in 2010, focussed on paediatric products) and **Alesco** (established in 2000, exclusively for the production and distribution of ingredients in Italy).

With revenues to the tune of € 38m and EBITDA of 25.1% of turnover, PharmaNutra shows a 22.8% and 31.1% CAGR₁₂₋₁₆ and CAGR₀₃₋₁₆, respectively.

The group **focuses on two main business areas: oral iron supplements** (81% of turnover, with the Sideral product line) **and muscle and joint pain relievers** (10% of revenues, with the Cetilar product line, launched in 2016 following the experience in the same field with Celadrin).

Chart 1 – PharmaNutra, 2017 sales by products and by market

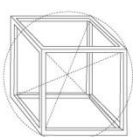


Source: Company data

PharmaNutra operates in 58 nations via distribution agreements with 29 partners: **foreign countries totalled 22% of revenues in 2017** and a higher portion in volumes, due to the difference in the distribution contract terms (via distributors abroad – directly in Italy). Iran, Brazil and Spain are the key markets in terms of volumes (24%, 21% and 19% respectively). Spain, Iran and Brazil represent the key markets in terms of revenues (19%, 17% and 14% respectively). However, profitability is fairly similar between domestic and foreign markets.

Main milestones from 2000 to date

2000	Establishment of Alesco in Pisa by the Lacorte brothers, with the aim of distributing functional ingredients, marketed exclusively in Italy
2003	PharmaNutra starts development of nutraceuticals and medical devices dedicated to adults
2005	Launch of the first PharmaNutra branded product, via a network of medical science informants with a single mandate. Vertically integrated
2010	Junia Pharma establishment: PharmaNutra skills in nutraceuticals with those of Farmigea in ophthalmology to produce pharmaceuticals and paediatric medical devices
2012	Alesco extends its business to proprietary active principles, covered by patents and produced in Italy (i.e. Ultramins and Ultramir)
2013	First foreign distribution contract
2015	Acquisition of Junia Pharma
2017	Acquisition of a minority stake by IPO Challenger 1 and listing on AIM Italia



2. The PharmaNutra listing

PharmaNutra was listed on AIM Italia (Alternative Investment Market) **on 18th July 2017** at € 10.0/share, corresponding to a **market capitalization post money of € 89.5m** (including the Price Adjustment Shares detained by PharmaNutra core shareholders, see details below), through the pre-booking company IPO Challenger 1, whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of PharmaNutra, becoming direct shareholders and free float of the company.

Technically and in greater detail, PharmaNutra shareholders sold 10.49% consisting in 850,000 ordinary shares to IPO Challenger 1 for a total consideration of € 8.5m. According to the company forecast of an EBITDA to the tune of € 9.5m and zero debt for 2017 (pre-money figures), **IPO Challenger 1 paid 8.5x EBITDA_{17e}**. Subsequently, IPO Challenger 1 subscribed to an € 8.5m PharmaNutra reserved rights issue vs the issue of 850,000 ordinary shares and 2,550,000 warrants, with which IPO Challenger 1 reimbursed its bondholders in favor of the operation: **50 PharmaNutra warrants and 49 shares for each 50 bonds held**.

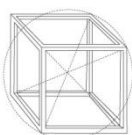
Warrants – Since **the acceleration condition occurred Last 31-Jul-17** (monthly average of daily weighted price of PharmaNutra ordinary shares in Jul-17 was € 13.3680), **warrant holders were required to subscribe to shares at the share subscription price of € 10 cents by 29-Sep-17**, at the ratio of 0.2868 share each warrant held. Thus, no warrant is anymore in circulation.

Price Adjustment Shares - The **two tranches of PAS were automatically converted into a corresponding number of ordinary shares** as in the period 1-30 September 2017, the ordinary shares reached during a weighted average monthly value higher than € 13.00.

Table 1 – PharmaNutra, shareholder structure

Shareholders	Outstanding number of shares		
	#m	%	€ m
A. Lacorte	2.973	30.7%	39.8
R. Lacorte	2.175	22.5%	29.1
Beda S.r.l.	0.943	9.7%	12.6
G. Lazzarini	0.798	8.2%	10.7
Other	0.363	3.7%	4.9
Historical PHN Shareholders	7.250	74.9%	97.2
IPOC Srl	0.284	2.9%	3.8
Free Float	2.147	22.2%	28.8
o/w IPO Club	0.496	5.1%	6.6
Total	9.681	100.0%	129.7

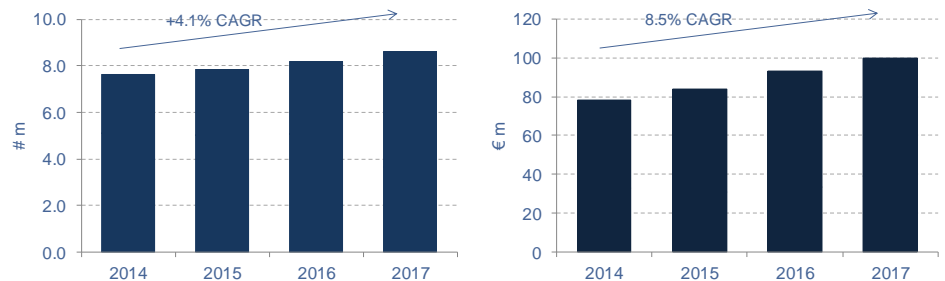
Source: Company data



3. The iron supplement market

PharmaNutra mainly **focuses on oral iron supplements** (81% of turnover, with the Sideral product line). **The domestic total iron market (food supplements + drugs) is worth some € 100m**, 8.6m in units, divided into oral and injectable (approx. 90%-10%). Oral supplements are prescribed or suggested by family doctors and are the first choice in the event of necessity for an iron supplement. Oral supplements can be distinguished into oral OTC (over the counter medication) 60% of the total and oral with a medical prescription. Injectable iron supplements are products for hospitalisation necessary in the event of necessity to rapidly increase iron levels: chronic kidney disease and intolerability to oral forms. **PharmaNutra operates in the food supplement iron niche** (€ 64.9m in value, 3.4m units) **and is the leading player in the arena, with a market share to the tune of 50% in value**, and a CAGR of some 15% in 2014-17, vs 8.5% of the sector.

Chart 2 – PharmaNutra, food supplement iron market 2014-17 in volumes/values



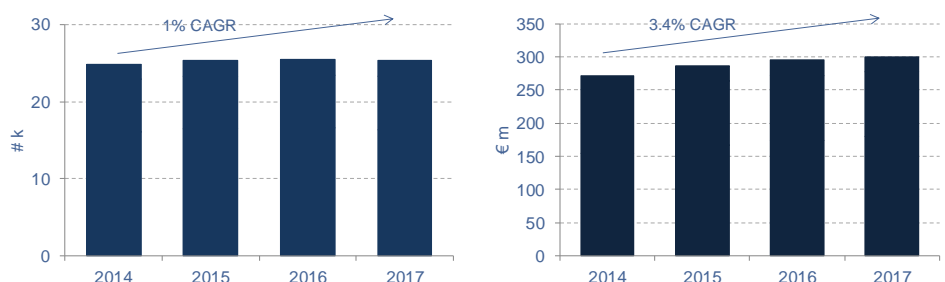
Source: IMS

The group generates some 22% of revenues abroad and according to IMS, **PharmaNutra has a 2% market share** in the world iron oral market, in value. In Portugal and Spain, the OTC segment is on the rise and can be defined as new attractive markets, where PharmaNutra is already present with its partner Zambon. Germany and the UK are mature and attractive markets since they have higher volumes than other European countries, are growing and per capita consumption is high. The USA and Brazil are markets to be developed, since the OTC segment has been already developed. In France, iron consumption is lower than in other European countries. The penetration strategy has to be carefully considered given the strong market concentration.

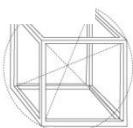
4. The muscle pain market

The second product category produced by PharmaNutra is related to **muscle and joint pain relievers**, 10% of revenues, with the Cetilar product line, launched in 2016 following the experience in the same field with Celadrin. **The domestic market is worth € 296m** and is a stable market in volumes and slightly rising in value: the market growth is driven by prices and presents slightly growing volumes. **Two key segments characterise the market: patches representing 65% of total volumes and creams, 27%**. The remainder is represented by oils, sprays and various liquids.

Chart 3 – PharmaNutra, muscle pain reliever market 2014-17 in volumes/values



Source: IMS



5. Competitive landscape: the iron supplement market

PharmaNutra generates some 81% of revenues, i.e. € 28.9m in 2017, in **oral iron supplements** with the Sideral product line. **The line is based on the patented proprietary developed sucrosomial technology:** the iron molecule is embedded in two layers so that the active ingredient passes through the gastric environment without coming into contact with the mucous membranes and without interacting with other nutrients and is then fully absorbed. **The result is a unique competitive advantage:** clinical studies have shown that **the efficacy of Sideral is comparable to intravenous iron and it has better tolerability and no side effects.** That is why **PharmaNutra is the market leader in the domestic OTC oral market with a market share of some 50%.**

PharmaNutra has a strong competitive position in a market valued at some € 100m, characterised by medium price sensitivity and quite a high level of competitive intensity. It has the top three products in the market: Sideral Forte, Sideral and Sideral Folico (with prices far above average), then Dompè with Ferrofast Forte and Loacker with Ferrotone.

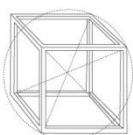
The domestic OTC market is particularly crowded with 227 companies for a total of 319 references. In 2016 70 new products were launched. The top five products have a 53% market share in value then the rest is highly fragmented: products from 6th to 15th reach a market share close to 18%. **The oral iron market segment with obligatory prescriptions is stable**, with only three references launched from 2010 to date. Prices are lower than those of OTC products and most are reimbursed by the national healthcare system. There are currently 20 companies operating in the market for a total of 28 products.

6. Competitive landscape: the muscular pain market

The second business unit of PharmaNutra is the **muscle and joint pain** segment, 10% of revenues, **with the Cetilar product line, launched in 2016 following the experience in the same field with Celadrin.** This business is characterized by the presence of large corporations, namely GSK Consumer Health, Bayer, Menarini, Pfizer Consumer Health. The entire PharmaNutra product category in this market represents some 4% of the total share in volumes. However, only **three months after its launch, Cetilar reached some 1.9% market share** in values; it was 2.2% at end-17. PharmaNutra has an interesting medium competitive position in a market valued at some € 300m, characterised by low price sensitivity and quite a high level of competitive intensity.

Cetilar focuses on active sporty people and is to be positioned as the top product in the creams and patches category. It is estimated that Cetilar will achieve a total of some € 18.2m in 2021 made up of some 82% from cream packs (source IMS, market value).

In the cream segment Voltaren Emulgel (GSK CH) is the leading product with a 43% share, followed by Lasonil Antidolore (Bayer) and Fastum Antidolorifico (Menarini) with shares of some 6% each.



7. Business model & strategy

PharmaNutra operates mainly in two markets, muscular pain and iron supplements. It manufactures specific and original products, managing the entire production process from raw materials to finished product, but outsourcing the production process. The notable degree of outsourced capacity allows the group production flexibility and lean capital structure.

In Italy the group directly manages distribution, promotion and sale of its selling proposition. PharmaNutra scientific salesmen cover the entire distribution chain from doctors to pharmacies and wholesalers. **The group is present indirectly in 58 countries** worldwide via 29 selected distributors, amongst the key pharmaceutical and nutraceutical firms.

R&D totals 3-5% of revenues on average in the last years, o/w less than 50% capitalised. The efficacy of group products is validated by a significant amount of proprietary clinical data. To date, PharmaNutra boasts 52 published studies, 13 clinical trials in progress and over 5,000 treated patients. In a highly competitive arena, characterised by a quick time to market and the presence of pretty similar products, **PharmaNutra has built effective entry barriers represented by the intellectual property.**

The group holds **8 patents** (10 pending) for reinforcing and protecting its competitive advantage, **25 brands** (12 pending), fundamental to gain market recognition and create brand awareness, **52 clinical studies** to demonstrate the product scientific profile to doctors and **8 proprietary raw materials** to retain the value of the controlling process of sourcing.

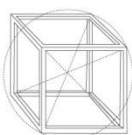
PharmaNutra strategy in the domestic market entails:

- **the expansion of the commercial network**, increasing the current team of 165 (Mar-18) scientific salespersons to some 200 by the end of 2019;
- new commercial activities for Cetilar also via **umbrella brand development**, an increase in advertising expenditure aimed at direct customers;
- the development of **new areas of use for oral iron supplements**, i.e. in Patient Blood Management (that is to say the orientation towards good management of blood during surgical interventions).

Abroad, PharmaNutra is

- **enlarging its selling proposition** to current distributors;
- in the process of **penetrating new markets**, namely the USA, the UK, France, Poland and Germany, also via new subsidiaries;

The group is also seeking to **accelerate growth via acquisitions**, chasing not only products, **but also structured and deep rooted selling teams**. The search is oriented both in Italy and abroad.



8. FY-17 results and recent developments

PharmaNutra reported a soaring set of results, characterised by a more pronounced growth of the foreign sales and a much more than proportional progression of margins. The strong improvement in NFP will allow the company to feed further R&D and growth.

Table 2 – PharmaNutra, FY-17 results summary

P&L € m	2017	2016	% YoY	2017e	% Diff. vs. 17e
Revenues	37.9	32.8	15.3	39.4	(3.8)
Raw material and processing	(2.5)	(2.5)		(2.7)	
Services	(23.8)	(20.5)		(24.4)	
Personnel expenses	(2.5)	(1.9)		(2.2)	
Other opex	0.5	(0.4)		(0.4)	
EBITDA	9.5	7.5	26.2	9.6	(1.3)
% margin	25.1	22.9		24.5	
D&A	(0.6)	(0.9)		(1.1)	
EBIT	8.9	6.6	35.5	8.5	5.0
% margin	23.6	20.1		21.6	
Financial Income	0.0	0.1		0.1	
Financial Costs	(0.1)	(0.2)		(0.1)	
Extraordinary	(0.1)	(0.4)		0.0	
Pre-Tax profit	8.8	6.1	44.9	8.5	3.4
% margin	23.2	18.4		21.5	
Income taxes	(2.7)	(2.2)		(2.8)	
Tax rate	31.2%	36.4%		33.0%	
Minorities	0.0	0.0		0.0	
Net Profit	6.0	3.9	56.6	5.7	6.1
% margin	15.9	11.7		14.4	

Source: Company data, CFO estimates

Revenues grew 15.3% to € 37.9m, driven by the 12.2% increase in domestic sales and by the 28.6% rise in foreign turnover, representing 79% and 21% respectively from 81% and 19% of 2016. The strategy to enlarge the weight of foreign countries is corroborated by numbers and the growth perspectives outside Italy. The robust top line increase was the result of R&D investments and clinical activities generating a greater awareness of product efficacy by doctors and a growing quality perception by consumers.

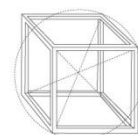
EBITDA soared more than proportionally to top line, +26.2% reaching € 9.5m with a **25.1% margin** vs. 22.9% in FY-16, thanks to the **lower-than-proportional progression of direct costs**, material and processing linked to the externalisation process of excipients and active ingredients which drove the increase in service costs.

At an operating level, the higher EBITDA and the structurally low amount of D&A, contributed to sustain profitability: **EBIT reached € 8.9m**, 23.6% margin +350bps, vs. € 6.6m in FY-16, better than our € 8.5m forecast as a result of lower D&A.

Low level of financial charges, and a tax rate decreased to 31.2% (36.4% in FY-16), **net profit soared by 56.6% YoY to € 6.0m**, 15.9% margin.

Net Financial Position improved significantly: PharmaNutra has a net cash position for € 9.1m from € 1.9m debt in FY-16, reflecting substantial operating cash flow and the low amount of capex, evidence of a lean capital structure, explained by the relevant degree of outsourced production capacity. Out of the € 11.0m improvement of NFP, € 8.5m are attributable to the right issue stemming from the PharmaNutra listing of last 18 July 2017. The BoD will propose the AGM the distribution of an **€ 0.33/s dividend (53% pay-out, 2.6% yield)**: ex-dividend date May 7, 2018, record date on May 8, 2018 and with payment on May 9, 2018.

In Italy the company is reinforcing its sales network of **scientific sales reps, with the target of 200 units by Jan-19 from 130 at end-17**, as stated at the time of the IPO as one of key growth drivers. This is to allow a better coverage of the domestic market to push a range of products that is constantly growing.



PharmaNutra has a **solid R&D attitude**, fed by a fully dedicated research team supported by the 3-5% of revenues R&D expenses, with a constant new product launches every year. **In 2018, the company is launching 7 new products**, o/w the first two already launched in Q1-18:

- **Capricare** – the only goat milk formula clinically evaluated, is a nutritionally complete milk made from whole goat milk. It is based on the unique proteins of goat milk at a lever that has been optimised for babies from 6 to 12 months. It contains the nutrients needed for infants such as lactose, vitamins, minerals and essential fatty acids from selected vegetable oils.
- **Neo D3 Forte** – a dietary supplement of vegetable DHA, vitamins, phospholipids and beta-palmitic acid. Vitamin D contributes to the normal absorption and use of calcium and phosphorus and intervenes in the cell division process.
- 2 new **Cetilar** products
- 2 new products in **supportive care** and
- 2 new **SidelAI** products.

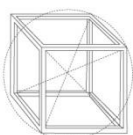
Abroad, PharmaNutra has just signed four new distribution agreements: in Vietnam (including also Laos, Cambodia and Burma), Malaysia (with Singapore), South Africa/Namibia and Egypt. Currently, there are **6 new negotiations ongoing** in other areas. In addition, PharmaNutra is supporting the efficacy of its selling proposition presenting clinical evidence at the most important overseas scientific conferences.

9. Estimates, valuation & risks

Following the publication of 2017 results, we have updated our model. **CFO estimates display organic growth assumptions** and do not take into consideration any acquisitions or penetration into new foreign markets via new established subsidiaries. We have **revised slightly upwards EBITDA** on the back of the lower-than-proportional progression of direct costs, material and processing linked to the externalisation process of excipients and active ingredients. Lower D&A as suggested by FY-17 results linked to the light capital structure, prompted to an **increase in EBIT, as well as consequently in the bottom line**. Our model factors in the € 6.0m investments related to the construction of the new research, development and production facility, one of world largest in its field, which is expected to further boost growth via the enlargement of new product pipeline in the medium-long term. **The result is an average upgrade of 6% of EBIT in 2018-19**. We have then **introduced 2020 forecasts**. Moreover, CFO has **updated DCF valuation criteria, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018**. The combined result is a **PT upgraded to € 17.70/share** (€ 13.70), with an upside of 32.1% at current prices, thus raising the rating to Buy (Neutral).

In order to **quantify PharmaNutra strong R&D capacity** to develop new products, we assessed the EV stemming from every new single item to be launched on the market. On the back of the median € 1,057k revenues generated annually in the first 5Y from the introduction of a few recently launched products, multiplied by the peer median EV/Sales 5.4x multiple, we attain an EV of € 5.7m. **In other words, every new additional product launch, not factored in our projections, might add € 5.7m EV to our valuation**.

We believe the strongly committed manager/shareholder team leads an unique company which offers 1) **internally developed patented growing products in two niches**, 2) **massive growth perspective**, much higher than other pharma firms, 3) **appealing dividend yield**, and 4) the **higher visibility and depth of stock volumes** stemming from the **move to the MTA/STAR segment** within a reasonable timeframe, by means of the 18 months fast-track possibility granted by Borsa Italiana.



9.1. DCF

In the valuation via the DCF method explicit estimates until 2022 and long term growth of 1.5% were used, to factor in the new products development capability of the R&D and production arm of the group. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 3 - PharmaNutra, WACC derived from:

Interest costs, pre-tax	2.0%
Tax rate	33.0%
Int. costs, after taxes	1.3%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	1.90%
Beta levered (x)	1.04
Required ROE	11.3%

Source: CFO Sim

Risk premium at 9.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta at 1.04x** has been calculated taking peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, then leveraging it for PharmaNutra 40/60 debt/equity long term sustainable balance sheet structure.

Table 4 - PharmaNutra, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	10.4	11.9	13.6	14.7	15.9	
Tax rate	33.0%	33.0%	33.0%	33.0%	33.0%	
Operating profit (NOPAT)	6.9	8.0	9.1	9.8	10.6	
Change working capital	0.1	(1.0)	(1.0)	(0.5)	(0.1)	
Depreciation	0.7	0.9	1.0	1.9	1.9	
Investments	(2.2)	(2.2)	(2.2)	(2.2)	(1.9)	
Free Cash Flows	5.5	5.7	6.9	9.0	10.5	184.5
Present value	5.3	5.0	5.7	7.0	7.6	132.5
WACC	7.3%	7.3%	7.3%	7.3%	7.3%	
Long-term growth rate	1.5%					

Source: CFO Sim

Table 5 – PharmaNutra, DCF equity value derived from:

Total EV present value € m	163.0
<i>thereof terminal value</i>	81.3%
NFP last reported FY-17	9.4
Pension provision FY-17	(1.2)
Equity value € m	171.3
#m shares	9.68
Equity value €/s	17.70
<i>% upside/(downside)</i>	33.1%

Source: CFO Sim

The application of the model produces an equity value of € 171.3m, **corresponding to € 17.70/share.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 15.57–20.72/s (perpetuity range of between 0.50% and +2.50%), while 2) compared to changes in the free risk rate produces an equity value of € 16.04-19.74/s (free risk range of between 2.90% and 0.90%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 14.57-22.56/s (risk premium range of between 11.0%% and 7.0%).

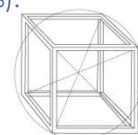


Table 6 – PharmaNutra, equity value sensitivity to changes in terminal growth rate

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
Present value of CF	30.6	30.6	30.6	30.6	30.6	30.6	30.6	30.6	30.6
PV of terminal value	111.9	116.5	121.4	126.8	132.6	138.9	145.8	153.4	161.8
Total value	142.5	147.1	152.0	157.3	163.1	169.4	176.4	184.0	192.4
NFP FY-17	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Pension provision FY-17	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Equity value	150.7	155.3	160.2	165.5	171.3	177.7	184.6	192.2	200.6
Equity value/share €	15.57	16.04	16.55	17.10	17.70	18.35	19.07	19.85	20.72

Source: CFO Sim

Table 7 – PharmaNutra, equity value sensitivity to changes in free risk rate

€ m	0.90%	1.15%	1.40%	1.65%	1.90%	2.15%	2.40%	2.65%	2.90%
Present value of CF	31.1	30.9	30.8	30.7	30.6	30.4	30.3	30.2	30.1
PV of terminal value	151.8	146.6	141.7	137.0	132.6	128.4	124.4	120.6	117.0
Total value	182.9	177.5	172.5	167.7	163.1	158.8	154.7	150.8	147.1
NFP FY-17	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Pension provision FY-17	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Equity value	191.1	185.8	180.7	175.9	171.3	167.0	162.9	159.0	155.3
Equity value/share €	19.74	19.19	18.66	18.17	17.70	17.25	16.83	16.43	16.04

Source: CFO Sim

Table 8 – PharmaNutra, equity value sensitivity to changes in risk premium

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	31.6	31.3	31.1	30.8	30.6	30.3	30.0	29.8	29.5
PV of terminal value	178.5	164.8	152.7	142.0	132.6	124.1	116.5	109.6	103.3
Total value	210.1	196.1	183.8	172.9	163.1	154.4	146.5	139.4	132.8
NFP FY-17	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Pension provision FY-17	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Equity value	218.4	204.3	192.0	181.1	171.3	162.6	154.7	147.6	141.1
Equity value/share €	22.56	21.11	19.83	18.71	17.70	16.80	15.98	15.24	14.57

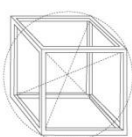
Source: CFO Sim

9.2. Market multiples

We have reshuffled our peer list, trying to identify the closest competitor of PharmaNutra in terms of business model. We have picked-up 5 new pharmaceutical firms: our panel now comprises Celgene Corp., Gilead Sciences Inc., Halozyme Therapeutics Inc., Regeneron Pharmaceuticals Inc. and TESARO Inc.

Celgene (USA, mkt cap € 55.3bn, Sales FY1 € 7.4bn, EBITDA 61.5%, NFP € 0.2bn) is a biopharmaceutical firm that discovers, develops, and markets therapeutics for the treatment of cancer and immunological diseases. Celgene markets Thalomid and Pomalyst to treat multiple myeloma and Revlimid, a less toxic thalidomide derivative, to treat myelodysplastic syndromes, multiple myeloma, and mantle cell lymphoma. Acquisitions have brought MDS drug Vidaza, T-cell lymphoma drug Istodax, and cancer drug Abraxane. The firm's first immunology drug, Otezla, was approved in the US in 2014. Pending acquisitions of Juno and Impact bring additional drugs for Celgene's blood cancer pipeline.

Gilead Sciences (USA, mkt cap € 79.8bn, Sales FY1 € 17.2bn, EBITDA 56.1%, NFP € 13.9bn) develops, produces and markets therapies to treat life-threatening infectious diseases, with the core of its portfolio focused on HIV and hepatitis B and C. The acquisitions of Corus Pharma, Myogen, CV Therapeutics, Arresto Biosciences, and Calistoga have broadened this focus to include pulmonary and cardiovascular diseases and cancer. Gilead's acquisition of Pharmasset brought rights to hepatitis C drug Sovaldi, which is also part of combination drug Harvoni, and the Kite acquisition boosted Gilead's exposure to cell therapy in oncology.



Halozyme Therapeutics (USA, mkt cap € 2.3bn, Sales FY1 € 112m, EBITDA -78.5%, NFP cash € 45m) is a biotechnology company focused on developing and commercializing novel oncology therapies. The company seeks to create therapies focused on human enzymes that alter tumors. Halozyme utilizes a strategy that focuses on developing its own proprietary products in therapeutic areas with significant unmet medical needs, with a focus on oncology, and licensing its technology to biopharmaceutical companies to collaboratively develop products. The company's operations are based in the United States, with minimal long-lived assets located internationally.

Regeneron Pharmaceuticals (USA, mkt cap € 28.0bn, Sales FY1 € 5.2bn, EBITDA 42.2%, NFP cash € 2.5bn) discovers, develops, and commercializes products that fight eye disease, cardiovascular disease, cancer, and inflammation. The company has six marketed products: Eylea, approved for wet age-related macular degeneration and other eye diseases; Praluent for LDL cholesterol lowering; Zaltrap in colorectal cancer; Dupixent in atopic dermatitis; Arcalyst in CAPS; and Kevzara in rheumatoid arthritis. Regeneron is also developing monoclonal antibodies with Sanofi in immunology and cancer.

Tesaro (USA, mkt cap € 2.4bn, Sales FY1 € 251m, EBITDA -163.6%, NFP cash € 201m) is an oncology-focused biopharmaceutical company with a focus on developing treatments for cancer. Upon successful development and regulatory approval of any of its product candidates, the company intends to pursue commercialization in key product markets, including North America, Europe, and China. Tesaro is currently focused on commercializing products directly in North America, and directly or in partnership with established companies in Europe and China. The company's strategy is to identify, acquire, and develop promising drug candidates, and to commercialize cancer therapeutics that are potentially safer and more effective than existing treatments.

Most of them are worldwide large scale pharmaceutical multinationals, with massive size, global reach and product portfolio. **The largest in the sample is Gilead Sciences** whilst the most profitable with a 61.5% EBITDA_{18e} margin is Celgene. **The smallest is Halozyme Therapeutics**, € 2.3bn mkt cap and EBITDA_{18e} negative. **Sales, EBITDA and EPS growth within the sample vary a lot: some of those firms boast** massive product portfolios and a presence in a pretty vast array of industry segments; other are still experiencing losses due the early stage of drug development process.

PharmaNutra operates in two niches, with a fair selling proposition. **PharmaNutra charges to expenses much more than 50% of the total R&D, thus penalising profitability in the comparison.** The group develops unique protected products and distributes them directly. **The group has offered in the past and continues to offer** massively appealing future growth: **Sales, EBITDA and Net Profit CAGR₁₇₋₂₀ is 13.3%, 15.4% and 14.6% respectively**, higher than peers. In addition, **PharmaNutra shows a net cash position as of 2017: a huge amount of resources are available for further growth and return value to shareholders.** The group is the **smallest** in the list in terms of turnover, has an EBITDA margin **lower than peer median** (excluding negative data).

That is why a pure multiple comparison with this list **is not significant for assessing the equity value of PharmaNutra** but rather a **methodology to corroborate the value obtained via DCF.**

Table 9 – PharmaNutra, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	Net Profit CAGR ₁₇₋₂₀	NFP FY1	NFP /EBITDA
Celgene Corp	55,331	11,970	7,361	61.5%	12.7%	38.3%	44.7%	18.4%	222	0.0
Gilead Sciences Inc	79,757	17,208	9,648	56.1%	-6.5%	-8.2%	-8.0%	1.6%	13,857	1.4
Halozyme Therapeutics Inc	2,274	112	(88)	-78.5%	-11.6%	-53.7%	-160.1%	-54.5%	(45)	n.m.
Regeneron Pharmaceuticals Inc	27,977	5,165	2,177	42.2%	8.7%	16.9%	16.2%	16.0%	(2,462)	n.m.
TESARO Inc	2,415	251	(411)	-163.6%	50.5%	-29.8%	-32.1%	-40.0%	(201)	n.m.
Median	27,977	5,165	2,177	42.2%	8.7%	-8.2%	-8.0%	1.6%	(45)	0.7
PharmaNutra	130	43	11	25.7%	13.3%	15.4%	15.1%	14.6%	(12)	n.m.

Source: Thomson Reuters Eikon, CFO Sim

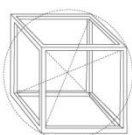


Table 10 – PharmaNutra, peer group multiples table

EV & Price multiples x	PER FY1	PER FY2	PER FY3	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	EBIT FY1	EBIT FY2	EBIT FY3
Celgene Corp	10.4	8.8	7.4	4.64	3.73	3.06	7.5	6.1	5.2	8.0	6.3	5.1
Gilead Sciences Inc	11.6	11.3	11.2	5.44	5.57	5.39	9.7	9.5	9.5	10.4	10.6	10.3
Halozyme Therapeutics Inc	(22.7)	(34.1)	(109.6)	19.98	14.42	11.51	(25.5)	(43.3)	305.2	(26.4)	(38.8)	(143.2)
Regeneron Pharmaceuticals Inc	16.1	14.0	11.9	4.94	4.19	3.60	11.7	10.3	7.6	12.7	10.4	8.3
TESARO Inc	(5.5)	(7.6)	(15.4)	8.81	5.46	3.50	(5.4)	(6.9)	(16.7)	(5.6)	(8.3)	(18.1)
Median, excluding negative values	11.6	11.3	11.2	5.44	5.46	3.60	9.7	9.5	7.6	10.4	10.4	8.3
PharmaNutra	21.3	18.8	16.3	3.18	2.72	2.34	12.7	10.6	9.0	13.5	11.4	9.6
% premium/(discount) to peers	83.7	66.2	45.0	(41.6)	(50.2)	(35.0)	30.4	11.1	17.7	30.1	9.0	16.0

Source: Thomson Reuters Eikon, CFO Sim

9.3. Stock performance

PharmaNutra was listed on AIM Italia (Alternative Investment Market) on the 18th July 2017 at € 10.0/share, corresponding to a **market capitalization post money of € 89.5m** (including the Price Adjustment Shares detained by PharmaNutra core shareholders, see details above), through the pre-booking company IPO Challenger 1, whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of PharmaNutra, becoming direct shareholders and free float of the company.

PharmaNutra stock jumped the first day of trading to the intraday maximum of € 17.00/share. Than prices stabilised to a certain extent, fluctuating around € 13.00. The PharmaNutra shares outperformed peer median and indexes YTD except the EU sector.

Table 11 - PharmaNutra, peers group and indexes absolute performance

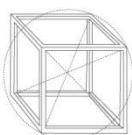
%	1D	1W	1M	3M	6M	YTD	1Y
Celgene Corp	(0.1)	2.6	3.1	(10.8)	(33.7)	(12.8)	(26.0)
Gilead Sciences Inc	0.3	1.8	(1.1)	(7.4)	(5.4)	5.6	14.6
Halozyme Therapeutics Inc	(1.3)	0.3	(6.5)	8.8	10.4	(3.4)	53.7
Regeneron Pharmaceuticals Inc	(0.4)	(0.4)	(4.0)	(14.1)	(26.9)	(14.5)	(12.2)
TESARO Inc	(0.7)	(2.1)	(12.3)	(11.8)	(52.0)	(34.2)	(62.7)
Median	(0.4)	0.3	(4.0)	(10.8)	(26.9)	(12.8)	(12.2)
MSCI World Index	0.3	2.0	0.7	(3.5)	4.6	1.0	15.6
EURO STOXX	0.3	2.0	2.1	(3.0)	(1.3)	0.4	5.8
EURO STOXX Health Care	0.0	2.2	3.0	(4.7)	(10.5)	(3.4)	(9.2)
FTSE Pharma & Biothech	1.1	6.7	19.2	14.1	34.8	21.6	61.9
FTSE AIM Italia	0.0	0.3	(0.2)	(2.0)	(1.6)	(0.5)	9.3
FTSE STAR	0.1	1.4	0.2	(3.1)	(1.7)	2.6	14.1
FTSE MIB Italia	0.5	3.2	4.1	1.0	6.3	8.7	22.2
PharmaNutra SpA	0.4	0.0	3.1	5.9	4.3	5.5	n.a.

Source: Thomson Reuters Eikon

Table 12 – PharmaNutra relative performances

%	1D	1W	1M	3M	6M	YTD	1Y
PHNU to Peer Median	0.8	(0.3)	7.1	16.7	31.1	18.3	n.a.
FTSE AIM Italia	0.3	(0.3)	3.3	7.9	5.8	6.0	n.a.
FTSE STAR Italia	0.3	(1.4)	2.9	9.0	6.0	2.9	n.a.
FTSE MIB Italia	(0.1)	(3.2)	(1.0)	4.9	(2.0)	(3.2)	n.a.
EU Sector	(0.7)	(6.7)	(16.1)	(8.2)	(30.5)	(16.1)	n.a.

Source: Thomson Reuters Eikon



9.4. Risks

The principal investment **risks** in PharmaNutra include:

- impacts on economics and balance sheet profile triggered by a deep decline in local and global economic growth,
- impact on profitability deriving from changes in the legislation environment,
- risks related to product responsibility and collateral effects,
- longer than expected distribution authorization procedures in existing or new markets,
- risks related to relevant competition in the reference markets,
- dilution on profitability stemming from the acquisition campaign.

10. SWOT Analysis

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ **Strong recognised leadership** in the iron supplement market with a share close to 50%
- ❑ Massive **cash flow generation** and a **sound balance** sheet allow external growth opportunities and appealing dividend yield
- ❑ **Strong internally developed IP protected blockbuster products**
- ❑ **Cetilar boasts more effective clinical study results** than other recent launches
- ❑ Strong team of **motivated managers/shareholders**

WEAKNESSES

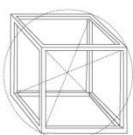
- ❑ The company basically operates in **only two segments**
- ❑ PharmaNutra **products are not refundable** by the national health systems.
- ❑ **Cetilar**, recently launched, **is still in an early stage of development**
- ❑ 80% of revenues from iron supplements: **highly concentrated turnover**

OPPORTUNITIES

- ❑ **Cetilar growth perspectives** driven by advertising expenditures
- ❑ **Foreign markets** further expansion led by iron supplements
- ❑ Growth opportunities for iron supplement in **Patient Blood Management**

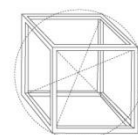
THREATS

- ❑ Expansion via external growth might erode **marginality** to a certain extent
- ❑ Quite **crowded markets**, with several new product launches
- ❑ **Legislation environment changes** might affect profitability





Income statement (€ m)	2016	2017	2018e	2019e	2020e
Revenues	32.8	37.9	43.2	49.2	55.1
Raw material and processing	(2.5)	(2.5)	(2.9)	(3.3)	(3.7)
Services	(20.5)	(23.8)	(26.7)	(30.2)	(33.6)
Personnel expenses	(1.9)	(2.5)	(2.8)	(3.0)	(3.2)
Other opex	(0.4)	0.5	0.3	0.2	0.1
EBITDA	7.5	9.5	11.1	12.8	14.6
D&A	(0.9)	(0.6)	(0.7)	(0.9)	(1.0)
EBIT	6.6	8.9	10.4	11.9	13.6
Financial Income	0.1	0.0	0.1	0.1	0.1
Financial Costs	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Extraordinary	(0.4)	(0.1)	0.0	0.0	0.0
Pre-Tax profit	6.1	8.8	10.3	11.9	13.5
Income taxes	(2.2)	(2.7)	(3.4)	(3.9)	(4.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	3.9	6.0	6.9	8.0	9.1
Net Profit Adjusted	4.2	6.1	6.9	8.0	9.1
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	5.6	7.1	7.0	8.0	9.0
Net Fixed Assets	5.2	5.6	7.0	8.3	9.5
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(2.2)	(2.7)	(2.9)	(3.2)	(3.4)
Net Invested Capital	8.6	10.0	11.2	13.2	15.1
Net Financial Position	1.9	(9.1)	(11.6)	(14.1)	(17.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	6.7	19.1	22.8	27.3	32.4
Net Financial Position & Equity	8.6	10.0	11.2	13.2	15.1
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	3.9	6.0	6.9	8.0	9.1
Depreciation	0.9	0.6	0.7	0.9	1.0
Other non-cash charges	1.2	0.6	0.2	0.3	0.3
Cash Flow from Oper. (CFO)	6.0	7.2	7.9	9.1	10.3
Change in NWC	0.2	(1.5)	0.1	(1.0)	(1.0)
FCF from Operations (FCFO)	6.2	5.7	7.9	8.1	9.3
Net Investments (CFI)	(1.9)	(1.4)	(2.2)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	4.2	4.3	5.7	5.9	7.1
CF from financials (CFF)	(2.2)	7.7	(3.2)	(3.4)	(4.0)
Free Cash Flow to Equity (FCFE)	2.0	12.0	2.5	2.5	3.2
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	22.9%	25.1%	25.7%	26.0%	26.5%
EBIT margin	20.1%	23.6%	24.0%	24.3%	24.7%
Net profit margin	11.7%	15.9%	15.9%	16.2%	16.5%
Tax rate	36.4%	31.2%	33.0%	33.0%	33.0%
Interest coverage x	0.03	0.01	0.02	0.01	0.01
Net Debt/EBITDA x	0.26	(0.96)	(1.05)	(1.10)	(1.18)
Debt-to-Equity x	0.29	(0.48)	(0.51)	(0.52)	(0.53)
ROIC	44.8%	60.3%	61.7%	60.2%	59.9%
ROCE	52.5%	33.9%	34.2%	34.1%	33.7%
ROACE	55.6%	45.9%	36.6%	36.6%	36.1%
ROE	57.9%	31.6%	30.2%	29.1%	28.0%
Payout ratio	43.8%	53.0%	50.0%	50.0%	50.0%
Per share figures	2016	2017	2018e	2019e	2020e
Number of issued ordinary shares # m	9.68	9.68	9.68	9.68	9.68
Number of shares Fully Diluted # m	9.68	9.68	9.68	9.68	9.68
Average Number of shares Fully Diluted # m	9.68	9.68	9.68	9.68	9.68
EPS reported €	0.40	0.62	0.71	0.82	0.94
EPS adjusted €	0.43	0.63	0.71	0.82	0.94
EPS reported FD €	0.40	0.62	0.71	0.82	0.94
EPS adjusted FD €	0.43	0.63	0.71	0.82	0.94
EBITDA €	0.78	0.98	1.15	1.32	1.51
EBIT €	0.68	0.92	1.07	1.23	1.41
BV €	0.69	1.97	2.35	2.82	3.35
FCFO €	0.64	0.59	0.82	0.84	0.97
FCFF €	0.44	0.44	0.59	0.61	0.74
FCFE €	0.21	1.24	0.26	0.25	0.33
Dividend €	0.17	0.33	0.36	0.41	0.47

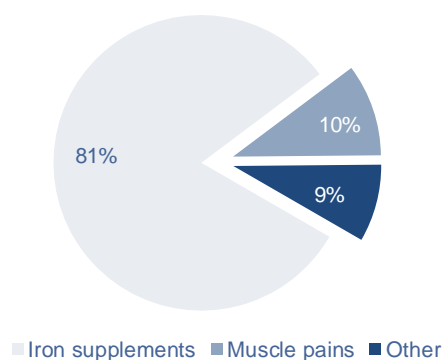


The company in a nutshell

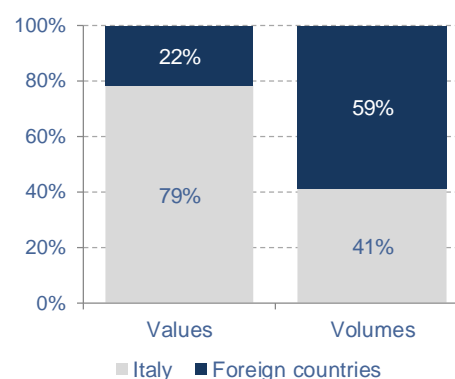
PharmaNutra is a global pharmaceutical firm, headquartered in Pisa, founded in 2003 with the aim of developing nutraceuticals and medical devices. The group comprises three 100% owned companies: PharmaNutra (nutraceutical company, established in 2003, active in the oral iron supplement market and in the muscular pain relief market), Junia Pharma (established in 2010, focussed on paediatric products) and Alesco (established in 2000, exclusively for the production and distribution of ingredients in Italy). With revenues to the tune of € 37.9m and EBITDA of 25.1% of turnover, PharmaNutra shows a 22.8% and 31.1% CAGR₁₂₋₁₆ and CAGR₀₃₋₁₆, respectively. The group focuses on two main business areas: oral iron supplements (81% of turnover, with the Sideral product line) and muscle and joint pain relief (10% of revenues, with the Cetilar product line, launched in 2016 following the experience in the same field with Celadrin). PharmaNutra operates in 56 nations via distribution agreements: foreign countries totalled 22% of revenues in 2017.

PharmaNutra was listed on AIM Italia (Alternative Investment Market) on 18 July 2017 at € 10.0/share, corresponding to a market capitalization post money of € 89.5m (including the Price Adjustment Shares detained by PharmaNutra core shareholders), through the pre-booking company IPO Challenger 1, whose investors/ex-bondholders were reimbursed in kind with the listed shares and warrants of PharmaNutra, becoming direct shareholders and free float of the company.

2017 Turnover by product



2017 Turnover by country



Shareholder structure

	# m	%	€ m
A. Lacorte	2.973	30.7%	39.8
R. Lacorte	2.175	22.5%	29.1
Beda S.r.l.	0.943	9.7%	12.6
G. Lazzarini	0.798	8.2%	10.7
Other	0.363	3.7%	4.9
Historical PHN Shareholders	7.250	74.9%	97.2
IPOC Srl	0.284	2.9%	3.8
Free Float	2.147	22.2%	28.8
o/w IPO Club	0.496	5.1%	6.6
Total	9.681	100.0%	129.7

Source: Thomson Reuters Eikon, Company data

Peer group absolute performance

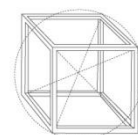
	1D	1W	1M	3M	6M	YTD
Celgene Corp	(0.3)	(3.2)	(5.9)	(18.1)	(36.9)	(14.1)
Gilead Sciences Inc	0.3	(1.2)	(1.2)	5.5	(3.2)	11.3
Halozyme Therapeutics Inc	(1.4)	0.0	11.2	4.7	26.9	1.8
Regeneron Pharmaceuticals	2.5	0.5	3.4	(11.7)	(20.8)	(8.7)
TESARO Inc	(4.0)	(9.3)	3.0	(23.3)	(47.2)	(25.4)
Median	(0.3)	(1.2)	3.0	(11.7)	(20.8)	(8.7)
PharmaNutra SpA	0.0	1.6	2.8	0.8	(7.6)	0.4
PHNU to Peer Median	0.3	2.8	(0.2)	12.5	13.2	9.1
FTSE AIM Italia	(0.0)	1.2	3.0	2.4	(5.9)	1.0
FTSE STAR Italia	(1.5)	(4.2)	(1.3)	(1.3)	(13.1)	(2.7)
FTSE MIB Italia	(0.1)	(2.2)	0.2	0.9	(12.1)	(3.7)
EU Sector	2.4	1.1	(1.9)	(19.8)	(30.7)	(13.5)

Source: Thomson Reuters Eikon

Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Celgene Corp	10.4	8.8	7.4	4.6	3.7	3.1	7.5	6.1	5.2
Gilead Sciences Inc	11.6	11.3	11.2	5.4	5.6	5.4	9.7	9.5	9.5
Halozyme Therapeutics Inc	-22.7	-34.1	-109.6	20.0	14.4	11.5	-25.5	-43.3	305.2
Regeneron Pharmaceuticals Inc	16.1	14.0	11.9	4.9	4.2	3.6	11.7	10.3	7.6
TESARO Inc	-5.5	-7.6	-15.4	8.8	5.5	3.5	-5.4	-6.9	-16.7
Median, excluding negative values	11.6	11.3	11.2	5.4	5.5	3.6	9.7	9.5	7.6
PharmaNutra	21.3	18.8	16.3	3.2	2.7	2.3	12.7	10.6	9.0

Source: CFO Sim, Thomson Reuters Eikon



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DATE	TARGET PRICE	RATING
19/04/2018	€17.70	BUY
19/09/2017	€13.70	NEUTRAL
18/07/2017	€13.20	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

