

Italy - Pharmaceutical

Buoyant results, bright perspectives

25th March 2019

FY-18 RESULT RELEASE

RIC: PHN.MI
BBG: PHN IM

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

Rating:

Buy

Price Target:

€ 23.30 (€ 19.20)

Upside/(Downside): 40.4%

Last Price: € 16.60

Market Cap.: € 160.7

1Y High/Low: € 17.90/€ 12.60

Free Float: 22.2%

Major shareholders:

Andrea Lacorte 30.7%
Roberto Lacorte 22.5%



Stock price performance

	1M	3M	12M
Absolute	-1.8%	7.8%	29.2%
Rel.to AIM Italia	-2.8%	1.8%	36.4%
Rel.to EU Sector	0.4%	8.4%	32.7%

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New PT of € 23.30/s (€ 19.20). Stock offers 40.4% upside: Buy reiterated

We have revised our model: 1) robust performance of the two blockbusters, recent new product launches and distribution agreements abroad boosted top line faster than in the past, 2) the lower-than-proportional progression of direct costs linked to externalisation sustained profitability. On the other hand, PHN is investing to adapt its structure to the reached relevant level of volumes in addition to a new R&D and production facility (exclusively for the sucrosomial synthesis), for a total consideration of € 7.5m in 2019-2021, in order to preserve its core IP. The result is operating estimates basically unchanged and upgraded at Net Profit (lower tax rate). We have updated DCF valuation criteria. new DCF based PT of € 23.30/share (€ 19.20), 40.4% upside. Buy.

FY-18 sales up 23.5%, exports 26% of total

Revenues grew 23.5% to € 46.7m, driven by the 15.6% increase in domestic sales and by the 52.4% rise in foreign turnover, representing 73.5% and 26.5% respectively from 78.5% and 21.5% of 2017. The strategy to enlarge 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 new distribution agreements abroad.

EBITDA adj. up 24.5%, 25.4% margin. Cash positive NFP for € 11.4m

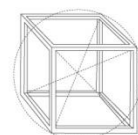
EBITDA adj. soared more than proportionally to top line, and reached € 11.8m, +24.5% YoY, margin of 25.4% vs. 25.2% in 2017. The adjustments are related to 2015-17 tax credits on R&D sustained by PharmaNutra and Alesco. Net Profit adj. totalled € 7.8m, up 28.3% YoY. NFP improved significantly: PharmaNutra had a net cash position for € 11.4m from € 9.1m cash in FY-17. The BoD will propose the AGM the distribution of an € 0.50/s dividend (62% pay-out, 3.0% yield), o/w € 0.08 extraordinary: ex-dividend date May 6, 2019, record date on May 7, 2019 and with payment on May 8, 2019.

Strategy: expansion of sales network, acceleration abroad and M&A

PHN in Italy aims for 1) the expansion from 150 scientific salespersons to 200 by Dec-19; 2) new commercial activities for Cetilar also via umbrella brand development, 3) the development of new areas of use for their oral iron supplement, i.e. in Patient Blood Management and 4) the launch of new products with significant market potential. Abroad, PHN is 1) enlarging its selling proposition with existing partners, 2) penetrating new markets and 3) approaching directly the most important markets, i.e. the USA, the UK, France, and Germany, also via new subsidiaries. PHN is also seeking to boost growth via acquisitions, chasing not only products, but also structured sales teams.

PharmaNutra, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	37.8	46.7	53.2	59.5	66.4
EBITDA	9.4	12.6	12.5	14.4	16.5
EBITDA adjusted	9.5	11.8	12.5	14.4	16.5
EBIT	8.9	11.9	11.9	13.7	15.7
EBIT adj.	8.9	11.2	11.9	13.7	15.7
Net profit	6.0	8.6	8.5	9.8	11.3
Net profit adjusted	6.1	7.8	8.5	9.8	11.3
NFP (cash)/debt	(9.1)	(11.4)	(15.1)	(19.4)	(24.6)
ROCE	33.6%	37.2%	33.0%	32.6%	32.2%
EPS adjusted FD	0.63	0.81	0.88	1.02	1.17
EPS adj. FD growth	46.4%	28.3%	8.9%	15.4%	14.7%
DPS ord. €/s	0.33	0.50	0.44	0.51	0.58
Dividend yield	2.0%	3.0%	2.7%	3.1%	3.5%
Free Cash Flow Yield	2.8%	2.6%	5.2%	5.3%	6.2%
PER adj. x	26.4	20.6	18.9	16.3	14.2
EV/Sales x	3.09	3.20	2.74	2.38	2.05
EV/EBITDA adj. x	15.9	12.6	11.6	9.8	8.3
EV/EBIT adj. x	17.0	13.4	12.3	10.3	8.7



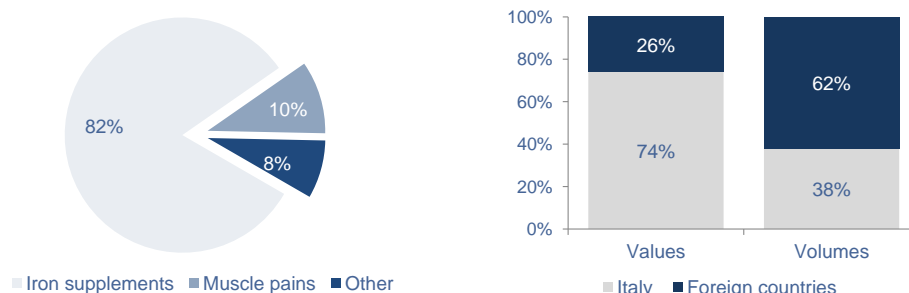
1. PharmaNutra at a glance

PharmaNutra is a **global nutraceutical 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 € 46.7m and EBITDA adj. of 25.4% of turnover, PharmaNutra shows a 21.2% and 33.9% CAGR15-18 respectively.

The group **focuses on two main business areas: oral iron supplements** (82% 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, 2018 sales by products and by market

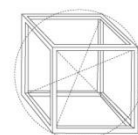


Source: Company data

PharmaNutra operates in 49 nations via distribution agreements with 33 partners: **foreign countries totalled 26% of revenues in 2018** and a higher portion in volumes, due to the difference in the distribution contract terms (via distributors abroad – directly in Italy). However, profitability is fairly similar between domestic and foreign markets.

Main milestones from 2000 to date

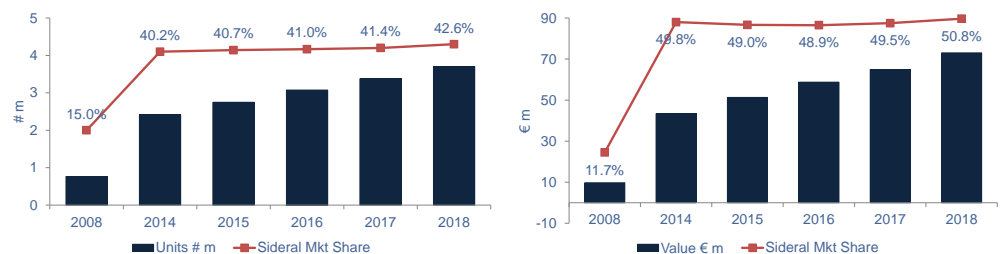
2000	Establishment of Alesco, distribution of functional ingredients in Italy
2003	PharmaNutra starts development of nutraceuticals and medical devices dedicated to adults
2005	Launch of the first PharmaNutra branded product, via a network of medical science informants with a single mandate
2010	Junia Pharma establishment, production of 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 iron supplement market

PharmaNutra mainly **focuses on oral iron supplements** (82% of turnover, with the Sideral product line). **The domestic total iron market (food supplements + drugs) is worth some € 107m**, 9m 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 divided into oral OTC (over the counter medication) 60% of the total and oral with a medical prescription. Injectable iron supplements are products for necessary hospitalisation to rapidly increase iron levels: chronic kidney disease and intolerability to oral forms. **PharmaNutra operates in the food supplement iron niche** (€ 73.1m in value, 3.7m units) **and is the leading player in the arena, with a market share to the tune of 51% in value**, and a CAGR of some 15% in 2014-18, vs 14% of the sector.

Chart 2 – PharmaNutra, food supplement iron market 2014-18 in volumes/values



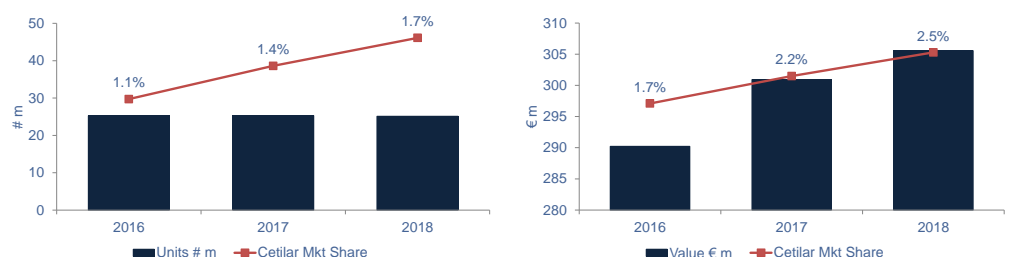
Source: IMS

The group generates some 26% 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.

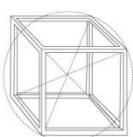
3. The muscle pain market

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 € 305m** 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 2016-18 in volumes/values



Source: IMS



4. Competitive landscape: the iron supplement market

PharmaNutra generates some 82% of revenues, i.e. € 38.3m in 2018, 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 51%.**

PharmaNutra has a strong competitive position in a market valued at some € 107m, 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 Ferrograd (Teofarma) and Tardyfer (Pierre Fabre Pharma).

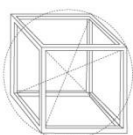
The domestic OTC market is particularly crowded with 250 companies for a total of 435 references. In 2018 52 new products were launched. The top five products have a 53% market share in value then the rest is highly fragmented: products from 6th to 15th reach a market share close to 18%. **The oral iron 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.

5. 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 2.5% at end-18. 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 29% market share in value, followed by Thermacare (Pfizer) and Voltadol (Menarini) with shares of some 6% each.



6. 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 sales of its selling proposition. PharmaNutra scientific salesmen cover the entire distribution chain from doctors to pharmacies and wholesalers. **The group is present indirectly in 49 countries** worldwide via 33 selected distributor partners, 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 91 published studies, 13 clinical trials in progress and over 6,000 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 **10 patents** (10 pending) for reinforcing and protecting its competitive advantage, **25 brands** (12 pending), fundamental to gain market recognition and create brand awareness, **91 clinical studies** to demonstrate the product scientific profile to doctors and **13 proprietary raw materials** to retain the value of the controlling process of sourcing.

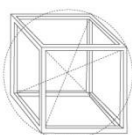
PharmaNutra strategy in the domestic market entails:

- **the expansion of the commercial network**, increasing the current team of 150 (Dec-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.



7. FY-18 results

PharmaNutra reported once again a soaring set of results, characterised by pronounced growth driven by foreign sales and a much more than proportional progression of margins. Figures came in better than our projections.

Table 1 – PharmaNutra, FY-18 results summary

P&L € m	2018	2017	% YoY	2018e	%diff. vs. 18e
Revenues	46.7	37.8	23.5	43.2	7.9
Raw material and processing	(2.5)	(1.8)		(2.9)	
Services	(29.7)	(23.8)		(26.7)	
Personnel expenses	(2.8)	(2.5)		(2.8)	
Other opex	0.9	(0.3)		0.3	
EBITDA	12.6	9.4	33.2	11.1	13.4
% margin	26.9	25.0		25.7	
D&A	(0.7)	(0.6)		(0.7)	
EBIT	11.9	8.9	34.5	10.4	15.0
% margin	25.5	23.4		24.0	
Financial Income	0.0	0.0		0.1	
Financial Costs	(0.1)	(0.1)		(0.2)	
Extraordinary	0.0	0.0		0.0	
Pre-Tax profit	11.9	8.8	35.2	10.3	15.4
% margin	25.4	23.2		23.8	
Income taxes	(3.3)	(2.7)		(3.4)	
Tax rate	27.8%	31.2%		33.0%	
Minorities	0.0	0.0		0.0	
Net Profit	8.6	6.0	41.9	6.9	24.3
% margin	18.3	16.0		15.9	
EBITDA adj.	11.8	9.5	24.5	11.1	6.7
% margin	25.4	25.2		25.7	
Net Profit adj.	7.8	6.1	28.3	6.9	13.6
% margin	16.8	16.1		15.9	

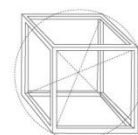
Source: Company data, CFO estimates

Revenues grew 23.5% to € 46.7m, driven by the 15.6% increase in domestic sales and by the 52.4% rise in foreign turnover, representing 73.5% and 26.5% respectively from 78.5% and 21.5% of 2017. 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, clinical activities generating a greater awareness of product efficacy by doctors and a growing quality perception by consumers and new distribution agreements outside Italy.

EBITDA reported soared more than proportionally to top line, +33.2% reaching € 12.6m with a **26.9% margin**, 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. If we exclude € 0.8m related to 2015-17 R&D tax credits sustained by Pharmanutra and Alesco, **EBITDA adj. reached € 11.8m, +24.5% YoY, margin of 25.4%** vs. 25.2% in 2017.

Low level of financial charges, and a tax rate decreased to 27.8% (31.2% in FY-17), **net profit soared by 41.9% YoY to € 8.6m**, 18.3% margin. **Net Profit adj. totalled € 7.8m, up 28.3% YoY.**

NFP improved significantly: PharmaNutra had a net cash position for € 11.4m from € 9.1m cash in FY-17, 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. The BoD will propose the AGM the distribution of an **€ 0.50/s dividend (62% pay-out, 3.0% yield), o/w € 0.08 extraordinary**: ex-dividend date May 6, 2019, record date on May 7, 2019 and with payment on May 8, 2019.

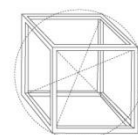


8. Recent developments

PharmaNutra has a **solid R&D attitude**, fed by a fully dedicated research team supported by R&D expenses to the tune of 3-5% of revenues, with constant new product launches every year. **In 2018, the company launched 8 new products:**

- **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 level 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.
- **SiderAL Folico30** is the new, practical stick version of Sucrosomial Iron for oral use, whose dosage was increased from 21 to 30 mg, with Quaterfolic a new Folic Acid in active form, and is useful for preventing iron deficiency in women at different stages of life.
- **UltraMag**, an entirely Sucrosomial magnesium based dietary supplement. Initial market reaction is supportive: with 10,000 units sold in the very first month alone, UltraMag is the most successful product launch in the history of the group. These results are backed up not only by scientific evidence, but also by the positive feedback recorded by doctors, pharmacists and consumers, who confirm that the new Sucrosomial magnesium is particularly effective in terms of rapid absorption and tolerability.
- **SiderAL H** is a new formula of Sucrosomial Iron in powder to be taken dissolved in water expressly developed for hospital use and is a valid alternative to more invasive treatments such as intravenous iron therapy.
- **Apportal**, the first complete nutritional supplement with 5 minerals (iron, selenium, zinc, iodine, magnesium) based on the Sucrosomial Technology, vitamins, amino acids and vegetable extracts. All the minerals in Apportal are enhanced with Sucrosomial Technology, to develop a unique product, with muscular antioxidants, immunomodulatory, toning and energizing properties.
- **SiderAL Gocce Forte** is a new formula in drops, with a higher dosage of Sucrosomial Iron (14mg/ml), developed for cases of serious iron deficiency.
- **SiderAL Oro 14** is the new, practical stick version of Sucrosomial Iron for oral use, whose dosage was increased from 12 to 14 mg, corresponding to 100% of the Daily Recommended Nutritional Value, and is useful for preventing iron deficiency or treating lack of energy in adolescents and the elderly.

Abroad, PharmaNutra in 2018 has signed seven new distribution agreements: in Vietnam (including also Laos, Cambodia and Burma), Malaysia (with Singapore), South Africa/Namibia, Egypt (with Al-Esraa Pharmaceutical Optima), Poland (with Pharmapoint) in the first part of the year and in Switzerland (Fresenius Kabi) in September, in Thailand in December (American Taiwan Biopharm). **During the first months of 2019 the company signed three other distribution agreements:** in Pakistan (with Trigen Pharma International) and in Greece and Ukraine in February (with WinMedica and Medintorg respectively). Currently, there are **16 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. Moreover PharmaNutra is expanding the distribution agreements with existing partners to new products such as Ultramag and Cetilar. In particular, thanks to the agreement signed with Renapharma, (partner of PharmaNutra since 2014 for the distribution of SiderAL® Forte in the Scandinavian region), Cetilar® will be soon available in Sweden and Norway. In addition, a contract with Fresenius Kabi Austria for the launch of Ultramag and Cetilar in Austria.



9. Estimates, valuation & risks

Following the publication of FY-18 results, **we have revised our model:** 1) the robust performance of the two blockbusters (Sideral and Cetilar product families), the recent several new product launches (**8 new products introduced in 2018 represented 28% of 2018-17 top line growth**) and the numerous distribution agreements signed for developing foreign countries distribution, **boosted top line faster than in the past**, 2) the **lower-than-proportional progression of direct costs**, material and processing linked to the externalisation of excipients and active ingredients **sustained solidly profitability**. On the other hand, **PHN is investing to adapt its structure to the reached relevant level of volumes** in addition to a **new R&D and production facility** (exclusively for the sucrosomial synthesis), encompassing the new headquarters too, for a total consideration of € 7.5m in 2019-2021, in order to preserve its core IP. The result is operating estimates basically unchanged and upgraded at Net Profit after a lighter than expected tax rate (-2% and +8% on average in 2019-20, respectively). We introduced 2021 estimates. We have updated DCF valuation criteria, bringing the free risk rate up-to-date as well as the beta. **The result is a new DCF based PT of € 23.30/share (€ 19.20), 40.4% upside.**

PharmaNutra operates in two niches, with a fair selling proposition. **PharmaNutra charges much more than 50% of the total R&D to expenses, thus penalising profitability in the comparison** with other sector firms. The group develops unique protected products and distributes them directly. **The company has offered in the past and continues to offer** massively appealing future growth: **Sales, EBITDA adj. and Net Profit adj. CAGR₁₈₋₂₁ is 12.5%, 11.7% and 13.0% respectively.** In addition, **PharmaNutra shows a net cash position as of today: a huge amount of resources are available for further growth and return value to shareholders.** That is why a pure multiples comparison with an imperfect list of companies **is not significant for assessing the equity value of PharmaNutra.**

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 9.3x multiple of Biogaia AB (seemingly PHN closest competitor), we attain an EV of € 9.8m. **In other words, every new additional product launch, not factored into our projections, might add € 9.8m 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 specific market segments**, 2) **massive growth perspective**, much higher than other pharma firms, and 3) **appealing dividend yield**. We reiterate our **Buy recommendation on the shares**.

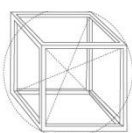
9.1. DCF

In the valuation via the DCF method explicit estimates until 2023 and long term growth of 1.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 2 - PharmaNutra, WACC derived from:

Interest costs, pre-tax	1.0%
Tax rate	28.0%
Int. costs, after taxes	0.7%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 2W average)	2.50%
Beta levered (x)	1.00
Required ROE	11.5%

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 1.00x** 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 3 - PharmaNutra, DCF model

€ m	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	11.9	13.7	15.7	17.4	19.1	
Tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	
Operating profit (NOPAT)	8.5	9.8	11.3	12.5	13.8	
Change working capital	2.2	1.5	(0.6)	(0.5)	(0.1)	
Depreciation	0.7	0.8	0.8	0.9	1.0	
Investments	(4.3)	(3.8)	(1.7)	(1.7)	(1.0)	
Free Cash Flows	7.1	8.3	9.8	11.2	13.7	243.8
Present value	6.8	7.4	8.1	8.6	9.8	175.1
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
Long-term growth rate	1.5%					

Source: CFO Sim

Table 4 – PharmaNutra, DCF equity value derived from:

Total EV present value € m	215.8
thereof terminal value	81.1%
NFP FY-18	11.4
Pension provision FY-18	(1.7)
Equity value € m	225.5
#m shares	9.68
Equity value €/s	23.30
% upside/(downside)	40.4%

Source: CFO Sim

The application of the model produces an equity value of € 225.5m, corresponding to € 23.30/share (€ 19.20), 40.4% upside to current price.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 20.43-27.36/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 € 21.07-26.04/s (free risk range of between 3.50% and 1.50%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 19.23-29.53/s (risk premium range of between 11.00% and 7.0%).

Table 5 – 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	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7
PV of terminal value	147.5	153.6	160.2	167.3	175.1	183.6	192.9	203.2	214.6
Total value	188.1	194.3	200.9	208.0	215.8	224.3	233.6	243.9	255.2
NFP last reported (FY-18)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Pension provision FY-18	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	197.8	203.9	210.5	217.7	225.5	234.0	243.3	253.6	264.9
Equity value/share €	20.43	21.06	21.75	22.49	23.30	24.17	25.13	26.19	27.36

Source: CFO Sim

Table 6 – PharmaNutra, equity value sensitivity to changes in free risk rate

€ m	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
Present value of CF	41.4	41.2	41.0	40.9	40.7	40.5	40.4	40.2	40.0
PV of terminal value	201.1	194.0	187.3	181.1	175.1	169.5	164.1	159.1	154.2
Total value	242.4	235.2	228.4	221.9	215.8	210.0	204.5	199.2	194.3
NFP last reported (FY-18)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Pension provision FY-18	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	252.1	244.9	238.0	231.6	225.5	219.7	214.2	208.9	203.9
Equity value/share €	26.04	25.29	24.59	23.92	23.30	22.69	22.12	21.58	21.07

Source: CFO Sim

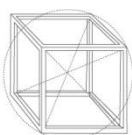


Table 7 – PharmaNutra, equity value sensitivity to changes in risk premium

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	42.1	41.7	41.4	41.0	40.7	40.4	40.0	39.7	39.4
PV of terminal value	234.2	216.6	201.1	187.3	175.1	164.1	154.2	145.3	137.1
Total value	276.2	258.3	242.4	228.4	215.8	204.5	194.3	185.0	176.5
NFP last reported (FY-18)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Pension provision FY-18	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Equity value	285.9	267.9	252.1	238.0	225.5	214.2	203.9	194.7	186.2
Equity value/share €	29.53	27.68	26.04	24.59	23.30	22.12	21.07	20.11	19.23

Source: CFO Sim

9.2. Market multiples

We have reshuffled our peer list, trying to identify the closest competitors of PharmaNutra in terms of business model, reach and size. We have picked 9 pharmaceutical firms: our panel now comprises **Bachem Holding AG** (manufactures ingredients for pharmaceuticals, generic drugs, and research supplies), **Biogaia AB** (seemingly the **closest comparable** within the sample - develops and markets health care products and sells foods with healthy additives and nutritional products with therapeutic effects for adults and children), **Cambrex Corp** (supplies products, services, and technologies for the Life Sciences and fine chemicals industry, small molecule Active Pharmaceutical Ingredients - APIs), **Consort Medical PLC** (develops and manufactures metered dose inhaler valves actuators, compliance-aids, dry powder devices, disposable face masks, breathing circuits and laryngeal tubes to pharmaceutical companies), **Faes Pharma SA** (develops, manufactures and markets pharmaceutical products, prescription products combat cardiovascular, respiratory, central nervous system, musculoskeletal and osteoporosis related ailments), **Laboratorio Reig Jofre SA** (research, development, manufacturing, and marketing of medicines and nutritional supplements), **Recipharm AB** (specialises in contract development and manufacture of pharmaceuticals of products in forms that include solid dose, granulates and powders, liquids, sprays, ecc), **Siegfried Holding AG** (development services and the production of active pharmaceutical ingredients (API), intermediates, controlled and standard substances, and complex formulations) and **Usana Health Science Inc** (develops, manufactures, and markets nutritional, personal care, and weight management products).

PharmaNutra operates in two distinctive market segments, with a fair selling proposition. Contrarily to the other players, which buy IP from third parties and capitalise R&D almost entirely, **PharmaNutra charges much more than 50% of the total R&D to expenses, 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 adj. and Net Profit adj. CAGR₁₈₋₂₁ is 12.5%, 11.7% and 13.0% respectively,** much higher than peers. In addition, **PharmaNutra shows a net cash position in 2018,** only 2 players within the sample do the same: **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 and has an EBITDA margin **much higher than peer average.**

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

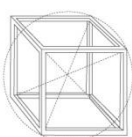


Table 8 – PharmaNutra, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	Net Profit CAGR ₁₉₋₂₁	NFP FY1	NFP /EBITDA
Bachem Holding AG	721	267	75	28.2%	6.5%	8.0%	10.4%	11.3%	101	1.3
Biogaia AB	755	78	27	34.6%	12.9%	12.7%	12.8%	20.8%	(31)	(1.2)
Cambrex Corp	1,136	571	138	24.2%	10.1%	4.9%	1.4%	21.1%	343	2.5
Consort Medical PLC	493	356	64	18.0%	2.3%	0.8%	5.7%	16.1%	103	1.6
Faes Farma SA	988	356	84	23.8%	5.4%	11.3%	12.5%	8.5%	(61)	(0.7)
Laboratorio Reig Jofre SA	162	183	18	9.9%	4.8%	17.9%	17.9%	28.7%	45	2.5
Recipharm AB (publ)	677	697	115	16.4%	6.5%	9.9%	22.3%	18.7%	303	2.6
Siegfried Holding AG	1,356	744	132	17.7%	5.9%	10.8%	17.9%	11.1%	162	1.2
USANA Health Sciences Inc	1,777	1,135	200	17.6%	6.7%	7.8%	6.0%	6.1%	(296)	(1.5)
Median	755	356	84	18.0%	6.5%	9.9%	12.5%	16.1%	101	1.3
PharmaNutra	161	53	13	23.6%	12.5%	11.7%	11.9%	9.6%	(15)	(1.2)

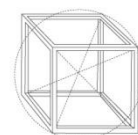
Source: Thomson Reuters Eikon, CFO Sim

Table 9 – 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
Bachem Holding AG	16.5	14.3	13.3	3.07	2.80	2.73	10.9	9.8	9.5	14.8	12.9	12.6
Biogaia AB	37.0	30.0	25.4	9.27	7.90	6.72	26.8	21.5	18.0	27.6	22.1	18.5
Cambrex Corp	20.4	20.3	13.9	2.59	2.40	2.18	10.7	9.9	8.9	16.4	14.8	13.2
Consort Medical PLC	16.0	14.3	11.9	1.67	1.60	1.48	9.3	8.6	7.8	12.8	11.9	11.6
Faes Farma SA	16.1	13.7	13.7	2.61	2.36	2.36	11.0	9.0	9.0	12.5	10.2	10.2
Laboratorio Reig Jofre SA	23.2	19.1	14.0	1.13	1.08	1.00	11.5	9.8	8.0	22.5	18.9	14.0
Recipharm AB (publ)	19.5	15.5	13.8	1.41	1.27	1.23	8.6	7.5	7.2	16.5	13.5	12.1
Siegfried Holding AG	20.7	17.3	16.7	2.04	1.95	1.89	11.5	10.4	10.3	17.4	15.1	14.0
USANA Health Sciences Inc	15.2	13.7	n.a.	1.31	1.16	n.a.	7.4	6.5	n.a.	8.5	7.5	n.a.
Median	19.5	15.5	13.9	2.04	1.95	2.04	10.9	9.8	9.0	16.4	13.5	12.9
PharmaNutra	20.6	18.9	16.3	3.20	2.74	2.38	12.6	11.6	9.8	13.4	12.3	10.3
% prem./(disc.) to peers	5.5	22.0	17.9	56.9	40.1	16.5	15.6	18.5	9.2	(18.4)	(9.4)	(19.9)

Source: Thomson Reuters Eikon, CFO Sim

Looking at EV/EBIT stock trades at double digit discount. **If we take into consideration the closest peers within the sample, Biogaia AB, PharmaNutra trades at huge discount**, only partially explained by current lower profitability.



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, 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 reached 1Y max of € 17.90 last 21-Feb-19 and 1Y min of € 12.60 last 23-Mar-18. The PharmaNutra shares outperformed peer median and indexes and EU sector at 1Y.

Table 10 - PharmaNutra, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Bachem Holding AG	(0.3)	(4.5)	8.2	9.6	(6.6)	4.9	1.2
Biogaia AB	2.6	(0.7)	7.5	49.6	2.6	48.7	16.0
Cambrex Corp	(2.7)	(3.4)	(5.4)	0.6	(37.6)	1.1	(28.5)
Consort Medical PLC	(1.4)	1.2	(6.5)	4.3	(30.0)	(8.6)	(22.4)
Faes Farma SA	0.4	3.2	7.1	17.1	(1.7)	19.0	30.0
Laboratorio Reig Jofre SA	0.8	(2.0)	(5.3)	7.8	(4.6)	8.8	8.9
Recipharm AB (publ)	(1.6)	(1.8)	3.1	19.3	(8.7)	18.9	46.1
Siegfried Holding AG	(1.2)	(0.8)	(0.6)	7.0	(21.7)	6.5	5.0
USANA Health Sciences Inc	(2.5)	(6.3)	(16.8)	(24.4)	(27.7)	(26.8)	4.2
Median	(1.2)	(1.8)	(0.6)	7.8	(8.7)	6.5	5.0
MSCI World Index	(1.6)	(0.7)	0.4	14.2	(4.8)	11.2	1.1
EURO STOXX	(1.8)	(2.1)	0.8	10.7	(5.1)	10.5	(2.7)
EURO STOXX Health Care	(1.9)	(4.4)	(0.8)	4.8	(8.9)	5.1	(4.2)
FTSE Pharma & Biothech	(0.0)	(2.3)	(2.2)	(0.6)	(17.4)	(2.4)	(3.5)
FTSE AIM Italia	(0.0)	0.5	1.0	6.0	(7.9)	4.9	(7.2)
FTSE STAR	(0.9)	(0.2)	3.1	16.6	(8.5)	14.3	(5.6)
FTSE MIB Italia	(1.4)	0.2	4.0	14.6	(2.1)	15.0	(5.9)
PharmaNutra SpA	(1.5)	0.6	(1.8)	7.8	9.2	9.9	29.2

Source: Thomson Reuters Eikon

Table 11 – PharmaNutra relative performances

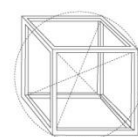
%	1D	1W	1M	3M	6M	YTD	1Y
PHNU to Peer Median	(0.2)	2.4	(1.2)	(0.0)	17.9	3.4	24.2
FTSE AIM Italia	(1.5)	0.1	(2.8)	1.8	17.1	5.0	36.4
FTSE STAR Italia	(0.5)	0.8	(4.9)	(8.8)	17.7	(4.4)	34.8
FTSE MIB Italia	(0.1)	0.4	(5.8)	(6.8)	11.3	(5.1)	35.1
EU Sector	(1.5)	2.9	0.4	8.4	26.6	12.4	32.7

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

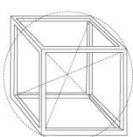
- ❑ The company basically operates in **only two segments**
- ❑ PharmaNutra **products are not refundable** by the national health systems.
- ❑ **Cetilar**, recently launched, **is still in an early stage of development**
- ❑ 80% of revenues from iron supplements: **highly concentrated turnover**

OPPORTUNITIES

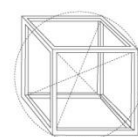
- ❑ **Cetilar growth perspectives** driven by advertising expenditures
- ❑ **Foreign markets** further expansion led by iron supplements
- ❑ Growth opportunities for iron supplement in **Patient Blood Management**

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)	2017	2018	2019e	2020e	2021e
Revenues	37.8	46.7	53.2	59.5	66.4
Raw material and processing	(1.8)	(2.5)	(2.8)	(3.2)	(3.5)
Services	(23.8)	(29.7)	(34.8)	(38.6)	(42.5)
Personnel expenses	(2.5)	(2.8)	(3.2)	(3.6)	(4.0)
Other opex/revenues	(0.3)	0.9	0.2	0.2	0.1
EBITDA	9.4	12.6	12.5	14.4	16.5
D&A	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)
EBIT	8.9	11.9	11.9	13.7	15.7
Financial Income	0.0	0.0	0.1	0.1	0.1
Financial Costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	8.8	11.9	11.8	13.7	15.7
Income taxes	(2.7)	(3.3)	(3.3)	(3.8)	(4.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	6.0	8.6	8.5	9.8	11.3
EBITDA adj.	9.5	11.8	12.5	14.4	16.5
EBIT adj.	8.9	11.2	11.9	13.7	15.7
Net Profit adj.	6.1	7.8	8.5	9.8	11.3
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	7.1	8.5	6.2	4.8	5.4
Net Fixed Assets	5.8	5.9	9.6	12.6	13.4
Equity Investments	0.3	0.3	0.0	0.0	0.0
Other M/L Term A/L	(3.2)	(1.6)	(2.8)	(3.0)	(3.4)
Net Invested Capital	10.0	13.1	13.0	14.3	15.4
Net Financial Position	(9.1)	(11.4)	(15.1)	(19.4)	(24.6)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	19.1	24.4	28.1	33.7	40.1
Net Financial Position & Equity	10.0	13.1	13.0	14.3	15.4
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	6.0	8.6	8.5	9.8	11.3
Depreciation	0.6	0.7	0.7	0.8	0.8
Other non-cash charges	0.8	(2.4)	1.3	0.2	0.2
Cash Flow from Oper. (CFO)	7.4	6.8	10.5	10.8	12.3
Change in NWC	(1.5)	(1.4)	2.2	1.5	(0.6)
FCF from Operations (FCFO)	6.0	5.4	12.7	12.2	11.7
Net Investments (CFI)	(1.4)	(1.3)	(4.3)	(3.8)	(1.7)
Free CF to the Firm (FCFF)	4.6	4.1	8.4	8.5	10.0
CF from financials (CFF)	7.4	(3.0)	(4.8)	(4.3)	(4.9)
Free Cash Flow to Equity (FCFE)	12.0	1.1	3.6	4.2	5.1
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA adj. margin	25.2%	25.4%	23.6%	24.3%	24.8%
EBIT margin	23.4%	25.5%	22.3%	23.0%	23.6%
Net profit adj. margin	16.1%	16.8%	16.0%	16.5%	17.0%
Tax rate	31.2%	27.8%	28.0%	28.0%	28.0%
Interest coverage x	0.01	0.01	0.01	0.01	0.01
Net Debt/EBITDA x	(0.96)	(0.90)	(1.20)	(1.34)	(1.49)
Debt-to-Equity x	(0.48)	(0.47)	(0.54)	(0.58)	(0.61)
ROIC	60.3%	65.5%	65.4%	68.8%	73.0%
ROCE	33.6%	37.2%	33.0%	32.6%	32.2%
ROACE	45.6%	40.8%	34.9%	35.1%	34.6%
ROE	31.6%	35.0%	30.3%	29.2%	28.2%
Payout ratio	52.4%	61.9%	50.0%	50.0%	50.0%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.62	0.88	0.88	1.02	1.17
EPS adjusted €	0.63	0.81	0.88	1.02	1.17
EPS reported FD €	0.62	0.88	0.88	1.02	1.17
EPS adjusted FD €	0.63	0.81	0.88	1.02	1.17
EBITDA €	0.98	1.30	1.29	1.49	1.70
EBIT €	0.92	1.23	1.23	1.41	1.62
BV €	1.97	2.52	2.90	3.48	4.14
FCFO €	0.62	0.56	1.31	1.26	1.21
FCFF €	0.47	0.43	0.87	0.87	1.03
FCFE €	1.23	0.12	0.37	0.43	0.52
Dividend €	0.33	0.50	0.44	0.51	0.58

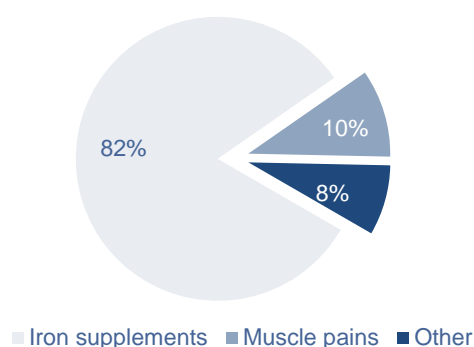


The company in a nutshell

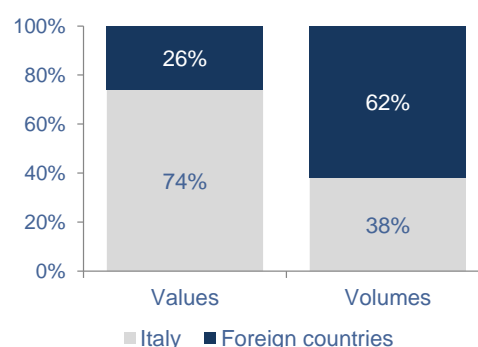
PharmaNutra is a global pharmaceutical firm, headquartered in Pisa, founded in 2003 with the aim of developing nutraceuticals and medical devices. The group comprises three 100% owned companies: PharmaNutra (nutraceutical company, established in 2003, active in the oral iron supplement market and in 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 € 46.7m and EBITDA adj. of 25.4% of turnover, PharmaNutra shows a 21.2% and 33.9% CAGR₁₅₋₁₈ respectively. The group focuses on two main business areas: oral iron supplements (82% 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 49 nations via distribution agreements: foreign countries totalled 26% of revenues in 2018.

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.

2018 Turnover by product



2018 Turnover by country



Shareholder structure

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

Source: Thomson Reuters Eikon, Company data

Peer group absolute performance

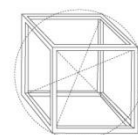
	1D	1W	1M	3M	6M	YTD
Bachem Holding AG	(0.3)	(4.5)	8.2	9.6	(6.6)	4.9
Biogaia AB	2.6	(0.7)	7.5	49.6	2.6	48.7
Cambrex Corp	(2.7)	(3.4)	(5.4)	0.6	(37.6)	1.1
Consort Medical PLC	(1.4)	1.2	(6.5)	4.3	(30.0)	(8.6)
Faes Farma SA	0.4	3.2	7.1	17.1	(1.7)	19.0
Laboratorio Reig Jofre SA	0.8	(2.0)	(5.3)	7.8	(4.6)	8.8
Recipharm AB (publ)	(1.6)	(1.8)	3.1	19.3	(8.7)	18.9
Siegfried Holding AG	(1.2)	(0.8)	(0.6)	7.0	(21.7)	6.5
USANA Health Sciences Inc	(2.5)	(6.3)	(16.8)	(24.4)	(27.7)	(26.8)
Median	(1.2)	(1.8)	(0.6)	7.8	(8.7)	6.5
PharmaNutra SpA	(1.5)	0.6	(1.8)	7.8	9.2	9.9

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
Bachem Holding AG	16.5	14.3	13.3	3.07	2.80	2.73	10.9	9.8	9.5
Biogaia AB	37.0	30.0	25.4	9.27	7.90	6.72	26.8	21.5	18.0
Cambrex Corp	20.4	20.3	13.9	2.59	2.40	2.18	10.7	9.9	8.9
Consort Medical PLC	16.0	14.3	11.9	1.67	1.60	1.48	9.3	8.6	7.8
Faes Farma SA	16.1	13.7	13.7	2.61	2.36	2.36	11.0	9.0	9.0
Laboratorio Reig Jofre SA	23.2	19.1	14.0	1.13	1.08	1.00	11.5	9.8	8.0
Recipharm AB (publ)	19.5	15.5	13.8	1.41	1.27	1.23	8.6	7.5	7.2
Siegfried Holding AG	20.7	17.3	16.7	2.04	1.95	1.89	11.5	10.4	10.3
USANA Health Sciences Inc	15.2	13.7	n.a.	1.31	1.16	n.a.	7.4	6.5	n.a.
Median	19.5	15.5	13.9	2.04	1.95	2.04	10.9	9.8	9.0
PharmaNutra	20.6	18.9	16.3	3.20	2.74	2.38	12.6	11.6	9.8

Source: CFO Sim, Thomson Reuters Eikon

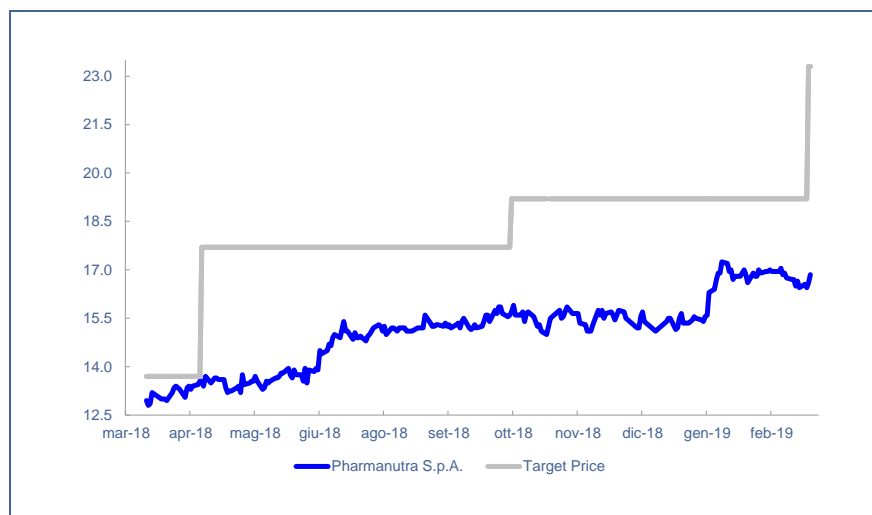


ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
25/03/2019	€23,30	BUY
04/10/2018	€19,20	BUY
19/04/2018	€17,70	BUY
19/09/2017	€13,70	NEUTRAL
18/07/2017	€13,20	BUY

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RATING SYSTEM

- 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.

