

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu62.00 - Target: Eu84.00

Attractive Entry Point Ahead of Forthcoming Results

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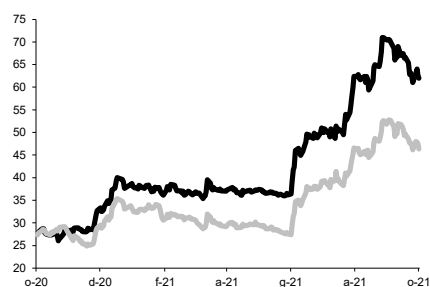
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 83.00 to 84.00		
	2021E	2022E	2023E
Chg in Adj EPS	-2.2%	2.8%	2.9%

Next Event

9M Results Out 8 November

PHARMANUTRA - 12M Performance



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

Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	-11.9%	22.0%	126.3%
Relative	-11.1%	19.4%	92.4%
12M (H/L)	71.00/26.00		
3M Average Volume (th):	13.27		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	600
Total Mkt Cap (Eu mn):	600
Mkt Float - Ord (Eu mn):	210
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	43
BVPS (Eu):	4.48
P/BV:	13.8
Net Financial Position (Eu mn):	20
Enterprise Value (Eu mn):	581

■ **Solid 3Q expected on the back of strong commercial results...** this week, the company has released very strong commercial KPIs that show an 85.1% YoY increase in sales volumes in 3Q (9M: +18.2% YoY), beating management forecasts and confirming growth in Italy (805k units sold, +31.6% YoY), and increased sales in foreign markets (1,917k, +123% YoY). The improvement was underpinned by the gradual return to normality for sales and in-person medical information in Italy, while the increase in volumes abroad is linked to the expected recovery due to a different timing of orders. We expect 3Q net sales at €17.2mn, up 49% YoY, showing an impressive acceleration compared to prior quarters (2Q: +17% YoY, 1Q: +4% YoY) and leading to €49.5m in 9M21. Higher commercial activity could have led to some margin dilution in 3Q to around 23%, although this is consistent with the 2H trends implied in current FY consensus expectations (a 27% margin on net sales), following the sky-high level recorded in 1H (32% margin). This should result in Adj.EBITDA of €3.9mn in 3Q, up 34% YoY (€14.2mn in 9M, +15.2% YoY). Overall, we assume solid 9M FCF generation (€7mn) almost entirely to be allocated to dividends (€6.5mn) and leading to an NFP of €19.7mn, broadly in line with YE20.

■ **...and 4Q21 and 2022 outlook remains very encouraging:** a) the 3Q sales trend both in Italy and abroad makes management very confident on a strong end to the year in 4Q21 laying solid foundations for continued growth in 2022, in line with industry trends; b) the company appears well placed for M&A, evaluating potential strategic acquisitions that can further expand its growth path in Italy and key foreign markets.

■ **Change in estimates.** Stronger 3Q expectations may imply a mid-single-digit revision to FY21 consensus on the top line, to €67.5-68.0mn (current consensus €65mn) and adj. EBITDA, to €18.0-18.5mn (currently €17.8mn). We are raising our FY21-23 top line and EBITDA estimates by 4%, while for adj. EPS we are factoring in a higher FY21 tax rate (closer to 30%) and stripping out the tax credit obtained on the costs incurred for the transition to the MTA (€0.5mn), which was already booked in 1H. This leads to EPS changes of -2.2%, +2.8% and +2.9% in FY21, FY22 and FY23.

■ **BUY confirmed; new target €84 (from €83).** On the back of new estimates, we are raising our DCF-based TP to €84 (from €83), leaving terminal assumptions for both WACC and g unchanged. Further upside may arise from M&A (c.€60-70mn of firepower). Notwithstanding the recent market correction (PHN -12%, Italy FTSE STAR index -6% over the last month), the current valuation may still look demanding relative to the sector (on EV/EBITDA and P/E multiples) but estimate direction is extremely supportive, prompting us to remain constructive on the stock. Thanks to its unchallenged leadership in solid oral iron supplements, high entry barriers due to IP protection and a relentless commitment to R&D for new product launches, PHN looks very well placed in a steadily growing industry. Furthermore, PHN has considerable scope to outstrip market growth trends, leveraging on the expansion of salesforce coverage in Italy, the launch of new products and the resumption of market activities in the post-Covid environment, but also the opportunity to gradually increase its presence abroad, especially in key countries where it has huge growth potential.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	54	56	68	78	89
EBITDA Adj (Eu mn)	13	16	18	21	24
Net Profit Adj (Eu mn)	8	12	12	14	16
EPS New Adj (Eu)	0.874	1.198	1.214	1.462	1.637
EPS Old Adj (Eu)	0.874	1.198	1.242	1.422	1.591
DPS (Eu)	0.460	0.670	0.729	0.731	0.819
EV/EBITDA Adj	12.9	13.9	31.6	27.7	23.9
EV/EBIT Adj	14.0	15.2	33.7	29.9	26.3
P/E Adj	71.0	51.8	51.1	42.4	37.9
Div. Yield	0.7%	1.1%	1.2%	1.2%	1.3%
Net Debt/EBITDA Adj	-1.0	-1.2	-1.1	-0.9	-1.1

PHARMANUTRA – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	47	54	56	68	78	89
EBITDA	13	13	16	18	21	24
EBIT	12	12	13	17	19	22
Financial Income (charges)	-0	-0	0	0	0	0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	12	12	13	17	20	22
Taxes	-3	-4	1	-5	-5	-6
Tax rate	27.8%	30.7%	-5.8%	29.5%	27.5%	27.5%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	8	14	12	14	16
EBITDA Adj	12	13	16	18	21	24
EBIT Adj	11	12	15	17	19	22
Net Profit Adj	9	8	12	12	14	16
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	10	10	10	10	10	10
Total Shares Outstanding (mn) - Year End	10	10	10	10	10	10
EPS f.d	0.884	0.874	1.454	1.257	1.462	1.637
EPS Adj f.d	0.884	0.874	1.198	1.214	1.462	1.637
BVPS f.d	2.525	2.906	3.897	4.484	5.217	6.123
Dividend per Share ORD	0.500	0.460	0.670	0.729	0.731	0.819
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	56.6%	52.7%	46.1%	58.0%	50.0%	50.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	9	9	16	13	16	18
Change in NWC	-3	3	-5	-1	-2	-2
Capital Expenditure	-1	-5	-1	-5	-9	-2
Other Cash Items	-0	-0	1	0	0	0
Free Cash Flow (FCF)	5	7	11	7	5	14
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-3	-5	-4	-6	-7	-7
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	2	2	8	0	-2	7
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	6	11	11	15	22	22
Net Working Capital	9	7	10	11	13	14
Long term Liabilities	-2	-3	-2	-2	-2	-2
Net Capital Employed	13	15	18	24	32	34
Net Cash (Debt)	11	14	19	20	18	25
Group Equity	24	28	38	43	51	59
Minorities	0	0	0	0	0	0
Net Equity	24	28	38	43	51	59
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	138	184	243	600	600	600
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	11	14	19	20	18	25
Enterprise Value	126	170	223	581	582	575
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	25.4%	24.6%	28.4%	27.1%	26.9%	27.0%
EBIT Adj Margin	24.0%	22.8%	26.1%	25.4%	24.9%	24.5%
Gearing - Debt/Equity	-46.5%	-48.2%	-51.3%	-45.3%	-35.8%	-43.0%
Interest Cover on EBIT	192.2	1743.9	nm	nm	nm	nm
Net Debt/EBITDA Adj	-1.0	-1.0	-1.2	-1.1	-0.9	-1.1
ROACE*	91.1%	88.3%	80.2%	81.8%	69.3%	65.9%
ROE*	35.0%	32.2%	35.2%	29.0%	30.1%	28.9%
EV/CE	9.6	12.3	13.5	27.6	20.7	17.4
EV/Sales	2.7	3.2	4.0	8.5	7.4	6.4
EV/EBITDA Adj	10.7	12.9	13.9	31.6	27.7	23.9
EV/EBIT Adj	11.3	14.0	15.2	33.7	29.9	26.3
Free Cash Flow Yield	0.9%	1.1%	1.9%	1.1%	0.9%	2.4%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales		15.0%	5.3%	9.3%	15.9%	13.1%
EBITDA Adj		11.3%	21.5%	-1.6%	16.8%	14.1%
EBIT Adj		9.2%	20.7%	-1.3%	16.8%	11.9%
Net Profit Adj		-1.2%	66.4%	-24.9%	16.8%	11.8%
EPS Adj		-1.2%	37.1%	-8.9%	16.8%	11.8%
DPS		-8.0%	45.7%	-18.5%	16.8%	11.8%

*Excluding extraordinary items Source: Intermonte SIM estimates

PharmaNutra in Brief

Company description

Founded by the Lacorte brothers and established in 2003, **PharmaNutra** develops unique nutraceuticals and innovative medical devices, overseeing the entire production process from proprietary raw materials to the finished product. With products distributed in Italy (own network of c.150 sales representatives) and worldwide (via a consolidated network of top-class partners), in less than 20 years the Group has become a leading player in the iron-based oral food supplements market (SiderAL line), where it boasts major patents linked to Sucrosomial® Technology and enjoys an overwhelming market share in value terms (>50%). Since YE20 the company's shares have been listed on the STAR segment.

Strengths/Opportunities

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

Management

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

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

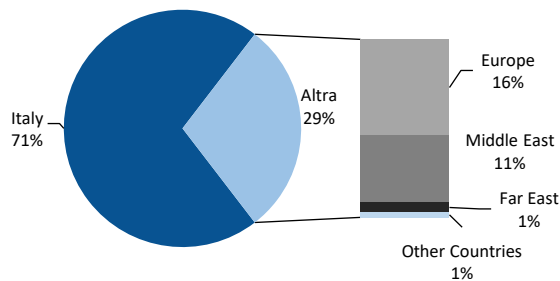
Shareholders

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

Weaknesses/Threats

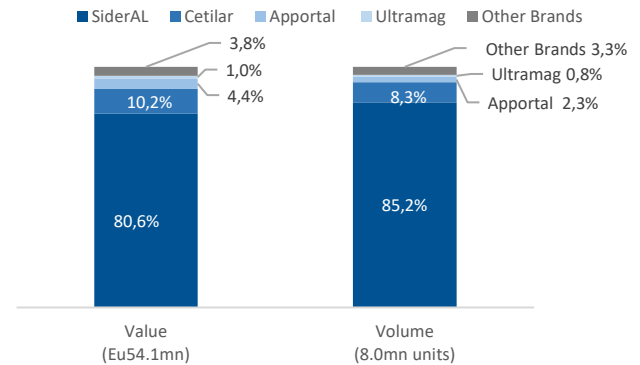
- Pipeline highly concentrated on iron-based products (SiderAL® line c. 81% of sales in FY20)
- Subscale in a sector typically dominated by large global players
- No M&A track record abroad so far
- Dependence on third-party sale distribution agreements internationally

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



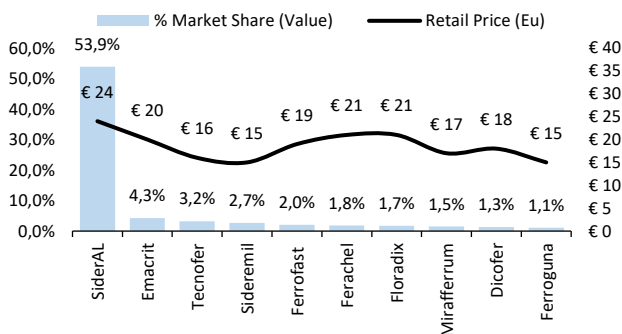
Source: Company Data

PharmaNutra – Breakdown of finished product sales and volumes in FY20



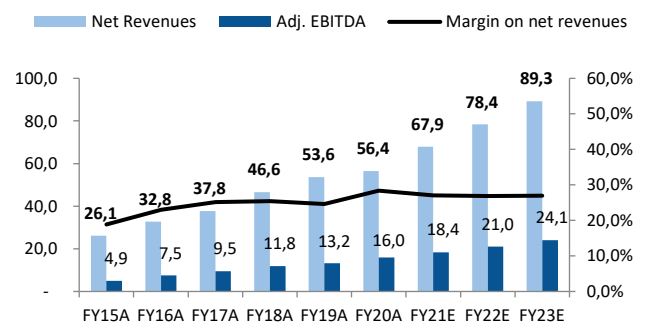
Source: Company Data

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



Source: Company Data

PharmaNutra – Revenue, adj. EBITDA and margin trend



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

3Q/9M21 Results Preview

This week, the company released very strong commercial KPIs that show an 85.1% YoY increase in sales volumes in 3Q (9M: +18.2% YoY), beating management forecasts and confirming growth in Italy (805k units sold, +31.6% YoY), and increased sales in foreign markets (1,917k, +123% YoY). The improvement was underpinned by the gradual return to normality for sales and in-person medical information in Italy, while the increase in volumes abroad is linked to the expected recovery due to a different timing of orders. We expect 3Q net sales at €17.2mn up 49% YoY, showing an impressive acceleration compared to prior quarters (2Q: +17% YoY, 1Q: +4% YoY) and leading to €49.5m in 9M21. Higher commercial activity could have led to some margin dilution in 3Q to around 23%, although this is consistent with the 2H trends implied in current FY consensus expectations (27% margin on net sales), following the sky-high level recorded in 1H (32% margin). This should result in Adj.EBITDA of €3.9mn in 3Q, up 34% YoY (€14.2mn in 9M, +15.2% YoY). Overall, we assume solid 9M FCF generation (€7mn) almost entirely to be allocated to dividends (€6.5mn), leading to NFP at €19.7mn, broadly in line with YE20.

PharmaNutra – 9M21E Results Preview

P&L, Eu mn	3Q20A	9M20A	FY20A	1Q21A	2Q21A	1H21A	3Q21E	9M21E	4Q21E	FY21E
Net Revenues	11.6	40.7	56.4	14.2	18.0	32.3	17.2	49.5	18.4	67.9
YoY growth			5.3%	4.0%	16.9%	10.9%	48.6%	21.6%	17.0%	20.3%
Other revenues	0.1	1.7	2.2	0.1	0.0	0.1	0.1	0.2	0.0	0.2
Total Revenues	11.7	42.3	58.7	14.3	18.1	32.4	17.3	49.7	18.4	68.1
YoY growth			8.2%	-3.5%	14.2%	5.6%	48.0%	17.3%	12.9%	16.1%
Opex	(8.7)	(30.0)	(42.7)	(10.5)	(11.7)	(22.1)	(13.4)	(35.5)	(14.2)	(49.7)
Adj. EBITDA	2.9	12.3	16.0	3.9	6.4	10.3	3.9	14.2	4.2	18.4
YoY growth			21.5%	24.1%	2.2%	9.5%	33.8%	15.2%	12.9%	14.7%
as % of net sales	25.1%	30.2%	28.4%	27.1%	35.6%	31.9%	22.6%	28.6%	22.8%	27.1%
EBITDA	2.6	12.1	15.6	3.9	6.4	10.3	3.9	14.2	4.2	18.4
YoY growth			18.0%	-4.9%	18.8%	8.6%	47.3%	17.1%	21.8%	18.1%
as % of net sales	22.8%	29.8%	27.6%	27.1%	35.6%	31.9%	22.6%	28.6%	22.8%	27.1%
Adj. EBIT	2.1	11.4	14.7	3.6	6.2	9.7	3.6	13.3	3.9	17.2
as % of net sales	17.8%	27.9%	26.1%	25.0%	34.1%	30.1%	20.9%	26.9%	21.1%	25.4%
EBIT	2.1	10.4	13.2	3.6	6.2	9.7	3.6	13.3	3.9	17.2
as % of net sales	18.1%	25.6%	23.4%	25.0%	34.1%	30.1%	20.9%	26.9%	21.1%	25.4%
PBT	2.1	10.5	13.3	3.6	6.2	9.8	3.6	13.4	3.9	17.3
taxes	(0.4)	0.9	0.8	(1.1)	(1.7)	(2.7)	(1.1)	(3.8)	(1.3)	(5.1)
tax rate (%)	17.8%	n.m.	n.m.	30.2%	26.8%	28.1%	30.0%	28.6%	32.7%	29.5%
Net income	1.7	11.4	14.1	2.5	4.5	7.0	2.5	9.6	2.6	12.2
YoY growth			66.4%	-5.7%	-35.4%	-27.3%	45.7%	-16.2%	-2.1%	-13.5%
EPS (€)	€ 0.18	€ 1.18	€ 1.45	€ 0.26	€ 0.47	€ 0.73	€ 0.26	€ 0.99	€ 0.27	€ 1.26
Adj. Net income	3.0	8.9	11.6	2.5	4.1	6.6	2.5	9.2	2.6	11.8
YoY growth			37.1%	-35.8%	5.5%	12.5%	-16.2%	2.8%	-3.6%	1.3%
Adj. EPS (€)	€ 0.31	€ 0.92	€ 1.20	€ 0.26	€ 0.43	€ 0.68	€ 0.26	€ 0.95	€ 0.27	€ 1.21
FCF, Eu mn	3Q20A	9M20A	FY20A	1Q21A	2Q21A	1H21A	3Q21E	9M21E	4Q21E	FY21E
Net income	1.7	11.4	14.1	2.5	4.5	7.0	2.5	9.6	2.6	12.2
D&A	0.6	1.7	2.3	0.3	0.3	0.6	0.3	0.9	0.3	1.2
NWC & Other	(1.0)	(7.2)	(4.6)	(0.1)	0.1	0.0	(0.5)	(0.5)	(0.8)	(1.3)
FCFO	4.6	5.9	11.8	2.7	4.9	7.6	2.3	9.9	2.1	12.0
Capex	(0.2)	(0.8)	(1.3)	(0.3)	(0.7)	(1.0)	(2.1)	(3.1)	(2.1)	(5.2)
as % of net sales	1.6%	2.0%	2.4%	1.9%	4.1%	3.1%	12.3%	6.3%	11.5%	7.7%
Equity FCF	1.0	6.1	11.2	2.2	4.5	6.7	0.1	6.8	0.0	6.8
M&A	-	-	-	-	-	-	-	-	-	-
dividend	-	(4.5)	(4.5)	-	(6.5)	(6.5)	-	(6.5)	-	(6.5)
buybacks	-	-	-	-	-	-	-	-	-	-
equity financing	-	-	-	-	-	-	-	-	-	-
Other (IFRS16, etc..)	(0.0)	(1.1)	0.9	0.3	(0.5)	(0.2)	0.2	-	-	-
Change in NFP	1.0	0.5	7.7	2.5	(2.4)	0.0	0.3	0.3	0.0	0.3
NFP (+cash/-debt)	14.1	14.1	19.4	21.8	19.4	19.4	19.7	19.7	19.7	19.7
Net Debt/EBITDA	-1.2x	-0.3x	-0.3x	-1.4x	-0.8x	-0.9x	-1.3x	-0.7x	-2.3x	-0.5x

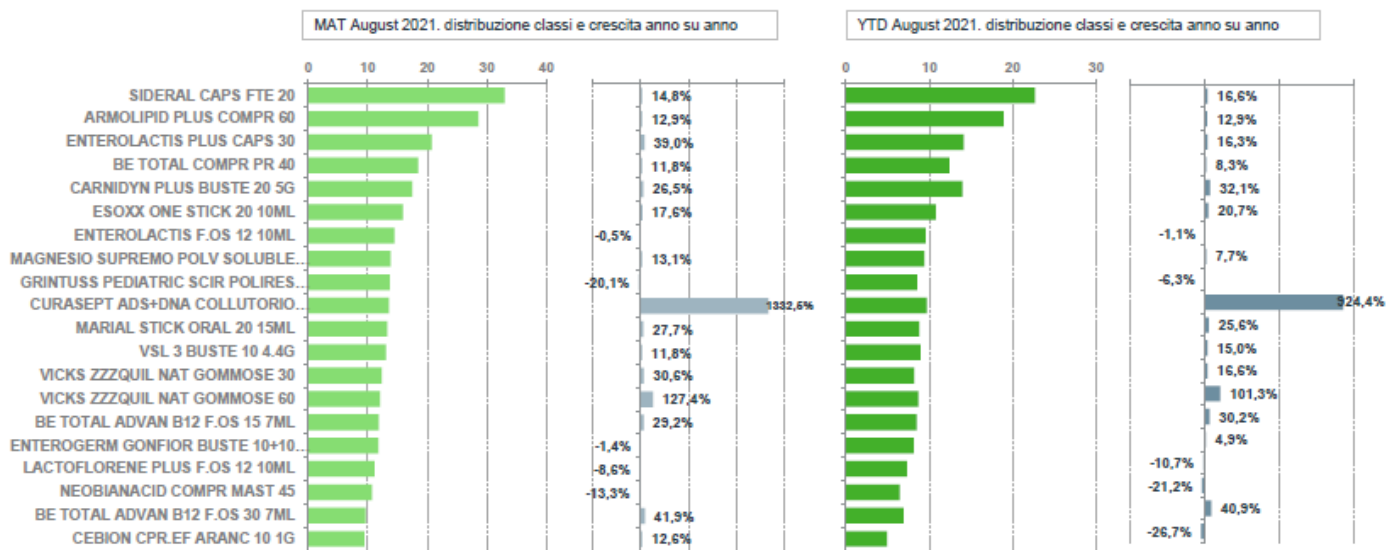
Source: Intermonte SIM (E), Company Data (A)

Units sold	3Q20A	9M20A	FY20A	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21E	FY21E
total units sold (k)	1,471	5,599	8,044	1,700	2,227	3,927	2,723	6,620	2,684	9,303
growth YoY	-23.7%	16.5%	12.2%	-0.5%	-7.9%	-4.9%	85.1%	18.2%	9.7%	15.7%
Italy (LB1)	612	2,098	2,951	765	983	1,748	805	2,553	897	3,451
as % of total	41.6%	37.5%	36.7%	45.0%	44.1%	44.5%	29.6%	38.6%	33.4%	37.1%
growth YoY	0.0%	0.0%	0.2%	2.1%	33.4%	17.6%	31.6%	21.7%	5.2%	16.9%
RoW (LB2)	859	3,501	5,093	935	1,245	2,180	1,918	4,098	1,755	5,853
as % of total	58.4%	62.5%	63.3%	55.0%	55.9%	55.5%	70.4%	61.4%	66.6%	62.9%
growth YoY	0.0%	0.0%	20.6%	-2.6%	-26.0%	-17.5%	123.2%	17.0%	10.3%	14.9%

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

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

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



Valori in milioni di euro

Source: IQVIA/Federsalus

Change in Estimates

We are raising our FY21-23 top line and EBITDA estimates by 4%, while for adj. EPS we are factoring in a higher FY21 tax rate (closer to 30%) and stripping out the tax credit obtained on the costs incurred for the transition to the MTA (€0.5mn), which was already booked in 1H. This leads to EPS changes of -2.2%, +2.8% and +2.9% in FY21, FY22 and FY23 respectively.

PharmaNutra – Change to Estimates

P&L, Eu mn	Intermonte Estimates						Old Estimates			New vs Old		
	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Revenues	53.6	56.4	67.9	78.4	89.3	100.3	65.1	75.0	85.3	4.3%	4.5%	4.6%
YoY growth	15.0%	5.3%	20.3%	15.4%	13.9%	12.3%	15.3%	15.2%	13.8%			
Other revenues	0.6	2.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2			
Total Revenues	54.2	58.7	68.1	78.6	89.5	100.5	65.3	75.2	85.6	4.3%	4.5%	4.6%
YoY growth	12.7%	8.2%	16.1%	15.4%	13.9%	12.3%	11.3%	15.2%	13.7%			
Opex	(41.0)	(42.7)	(49.7)	(57.5)	(65.4)	(73.2)	(47.4)	(54.8)	(62.2)			
Adj. EBITDA	13.2	16.0	18.4	21.0	24.1	27.3	17.9	20.4	23.3	2.8%	2.9%	3.1%
YoY growth	11.3%	21.5%	14.7%	14.5%	14.4%	13.6%	11.6%	14.3%	14.2%			
as % of net. sales	24.6%	28.4%	27.1%	26.9%	27.0%	27.3%	27.5%	27.3%	27.4%			
EBITDA	13.2	15.6	18.4	21.0	24.1	27.3	17.9	20.4	23.3	2.8%	2.9%	3.1%
YoY growth	4.8%	18.0%	18.1%	14.5%	14.4%	13.6%	14.9%	14.3%	14.2%			
as % of net. sales	24.6%	27.6%	27.1%	26.9%	27.0%	27.3%	27.5%	27.3%	27.4%			
Adj. EBIT	12.2	14.7	17.2	19.5	21.8	24.8	16.8	18.9	21.2	2.7%	2.8%	2.9%
as % of net. sales	22.8%	26.1%	25.4%	24.9%	24.5%	24.8%	25.8%	25.3%	24.9%			
EBIT	12.2	13.2	17.2	19.5	21.8	24.8	16.8	18.9	21.2	2.7%	2.8%	2.9%
as % of net. sales	22.8%	23.4%	25.4%	24.9%	24.5%	24.8%	25.8%	25.3%	24.9%			
PBT	12.2	13.3	17.3	19.5	21.9	24.9	16.8	19.0	21.2	2.7%	2.8%	2.9%
taxes	(3.7)	0.8	(5.1)	(5.4)	(6.0)	(6.8)	(4.8)	(5.2)	(5.8)			
tax rate (%)	30.7%	n.m.	29.5%	27.5%	27.5%	27.5%	28.5%	27.5%	27.5%			
Net income	8.5	14.1	12.2	14.1	15.9	18.0	12.0	13.8	15.4	1.2%	2.8%	2.9%
YoY growth	-1.2%	66.4%	-13.5%	16.3%	12.0%	13.8%	-14.6%	14.5%	11.9%			
EPS (€)	€ 0.87	€ 1.45	€ 1.26	€ 1.46	€ 1.64	€ 1.86	€ 1.24	€ 1.42	€ 1.59	1.2%	2.8%	2.9%
Adj. Net income	8.5	11.6	11.8	14.1	15.9	18.0	12.0	13.8	15.4	-2.2%	2.8%	2.9%
YoY growth	-1.2%	37.1%	1.3%	20.4%	12.0%	13.8%	3.6%	14.5%	11.9%			
Adj. EPS (€)	€ 0.87	€ 1.20	€ 1.21	€ 1.46	€ 1.64	€ 1.86	€ 1.24	€ 1.42	€ 1.59	-2.2%	2.8%	2.9%

FCF, Eu mn	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net income	8.5	14.1	12.2	14.1	15.9	18.0	12.0	13.8	15.4			
D&A	1.0	2.3	1.2	1.6	2.2	2.5	1.1	1.5	2.1			
NWC & Other	2.6	(4.6)	(1.3)	(1.7)	(1.8)	(1.9)	(0.9)	(1.6)	(1.7)			
FCFO	12.0	11.8	12.0	14.1	16.3	18.7	12.2	13.7	15.8	-2%	3%	3%
Capex	(4.9)	(1.3)	(5.2)	(8.6)	(1.8)	(2.0)	(5.0)	(8.3)	(1.7)	4%	4%	5%
as % of net sales	9.1%	2.4%	7.7%	11.0%	2.0%	2.0%	7.7%	11.0%	2.0%			
Equity FCF	6.7	11.2	6.8	5.4	14.5	16.7	7.2	5.4	14.1	-6%	0%	3%
M&A	-	-	-	-	-	-	-	-	-			
dividend	(4.8)	(4.5)	(6.5)	(7.1)	(7.1)	(7.9)	(6.5)	(7.0)	(6.9)			
buybacks	-	-	-	-	-	-	-	-	-			
equity financing	-	-	-	-	-	-	-	-	-			
Other (IFRS16, etc.)	0.3	0.9	-	-	-	-	-	-	-			
Change in NFP	2.2	7.7	0.3	(1.6)	7.4	8.8	0.7	(1.5)	7.2			

NFP (+cash/-debt)	13.6	19.4	19.7	18.1	25.5	34.2	20.1	18.6	25.8	-2.1%	-2.7%	-1.2%
ND/EBITDA	-1.0x	-1.2x	-1.1x	-0.9x	-1.1x	-1.3x	-1.1x	-0.9x	-1.1x			

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

Comparison of Our 2021-23 Estimates with Consensus

Stronger 3Q expectations may imply a mid-single-digit revision to FY21 consensus on the top line, to €67.5-68.0mn (current consensus €65mn) and adj. EBITDA, to €18.0-18.5mn (currently €17.8mn).

PharmaNutra – 2021-23 Intermonte Estimates: Comparison with Consensus

	FY19A	FY20A	Intermonte Estimates				Consensus Estimates			Delta vs Consensus		
			FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Revenues	53.6	56.4	67.9	78.4	89.3	100.3	64.9	75.2	85.7	4.7%	4.2%	4.2%
YoY growth	15.0%	5.3%	20.3%	15.4%	13.9%	12.3%	14.9%	10.8%	9.4%			
Adj. EBITDA	13.2	16.0	18.4	21.0	24.1	27.3	17.8	20.4	23.3	3.4%	3.1%	3.1%
YoY growth	11.3%	21.5%	14.7%	14.5%	14.4%	13.6%	10.9%	14.8%	14.4%			
as % of net. sales	24.6%	28.4%	27.1%	26.9%	27.0%	27.3%	27.4%	27.1%	27.2%			
EBITDA	13.2	15.6	18.4	21.0	24.1	27.3	17.8	20.4	23.3	3.4%	3.1%	3.1%
Adj. EBIT	12.2	14.7	17.2	19.5	21.8	24.8	16.6	19.0	21.2	3.6%	2.5%	2.8%
as % of net. sales	22.8%	26.1%	25.4%	24.9%	24.5%	24.8%	25.6%	25.3%	24.8%			
EBIT	12.2	13.2	17.2	19.5	21.8	24.8	16.6	19.0	21.6	3.6%	2.5%	1.3%
PBT	12.2	13.3	17.3	19.5	21.9	24.9	16.6	18.9	21.3	3.8%	3.4%	2.8%
Net income	8.5	14.1	12.2	14.1	15.9	18.0	12.0	13.7	15.3	1.6%	3.5%	3.4%
Adj. Net income	8.5	11.6	11.8	14.1	15.9	18.0	12.0	13.7	15.3	-1.9%	3.5%	3.4%
EPS (€)	€ 0.87	€ 1.45	€ 1.26	€ 1.46	€ 1.64	€ 1.86	€ 1.24	€ 1.40	€ 1.59			
DPS (€)	€ 0.46	€ 0.67	€ 0.73	€ 0.73	€ 0.82	€ 0.82	€ 0.66	€ 0.71	€ 0.78			
payout	53%	46%	58%	50%	50%	44%	53%	51%	49%			
Capex	(4.9)	(1.3)	(5.2)	(8.6)	(1.8)	(2.0)	(4.5)	(8.0)	(3.5)	16.2%	7.7%	-49.5%
as % of net. sales	9.1%	2.4%	7.7%	11.0%	2.0%	2.0%	6.9%	10.6%	4.1%			
Equity FCF	6.7	11.2	6.8	5.4	14.5	16.7	7.8	6.0	12.0			
NFP (Net Debt)	13.6	19.4	19.7	18.1	25.5	34.2	19.4	18.8	23.9	1.6%	-3.8%	6.5%
ND/EBITDA	-1.0x	-1.2x	-1.1x	-0.9x	-1.1x	-1.3x	-1.1x	-0.9x	-1.0x			

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

DCF Valuation

On the back of new estimates, we are raising our DCF-based TP to €84 (from €83), leaving terminal assumptions for both WACC (5.8%) and g (3%) unchanged. Further upside may arise from M&A (c.€60-70mn of firepower).

PharmaNutra – DCF Model

(Eu mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Net Revenues	67.9	78.4	89.3	100.3	110.0	120.3	131.1	142.3	153.1	163.6	168.6	173.8
<i>YoY growth</i>	20.3%	15.4%	13.9%	12.3%	9.8%	9.4%	9.0%	8.5%	7.6%	6.9%	3.1%	3.0%
EBITDA	18.4	21.0	24.1	27.3	30.4	33.5	36.8	40.4	43.6	46.9	48.4	48.7
% margin	27.1%	26.9%	27.0%	27.3%	27.6%	27.8%	28.1%	28.4%	28.5%	28.7%	28.7%	28.0%
D&A	(1.2)	(1.6)	(2.2)	(2.5)	(2.8)	(3.0)	(3.3)	(3.6)	(3.8)	(4.1)	(3.4)	(3.5)
EBIT	17.2	19.5	21.8	24.8	27.6	30.5	33.5	36.8	39.8	42.8	45.0	45.2
% margin	25.4%	24.9%	24.5%	24.8%	25.1%	25.3%	25.6%	25.9%	26.0%	26.2%	26.7%	26.0%
Taxes	(4.1)	(4.7)	(5.2)	(6.0)	(6.6)	(7.3)	(8.0)	(8.8)	(9.5)	(10.3)	(10.8)	(10.8)
<i>tax rate</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.0%</i>
Change in WC	(1.3)	(1.7)	(1.8)	(1.9)	(1.7)	(1.8)	(1.9)	(1.9)	(1.8)	(1.8)	(0.8)	-
Capex	(5.2)	(8.6)	(1.8)	(2.0)	(2.2)	(2.4)	(2.6)	(2.8)	(3.1)	(3.3)	(3.4)	(3.5)
as % of sales	7.7%	11.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Unlevered FCF	7.7	6.1	15.2	17.5	19.8	22.0	24.3	26.8	29.2	31.6	33.4	34.3
TV												1,248
year		1	2	3	4	5	6	7	8	9	10	11
Discounted WACC		0.95	0.89	0.84	0.80	0.75	0.71	0.67	0.64	0.60	0.57	0.54
Discounted Free cash flow		5.8	13.6	14.8	15.8	16.6	17.3	18.0	18.6	19.0	19.0	671.5

Discounted FCF '22E-31E	158.5
Terminal value	671.5
Total EV (with DCF)	830.0
NFP/(Debt) at YE21E	(19.7)
Minorities	0.0
Treasury shares	0.0
Total EQUITY (Eu mn)	810.4
No. of shares fully diluted (mn)	9.7
Fair value (Eu/share)	84.0
current price (Eu/share)	62.8
<i>upside/downside vs current price</i>	<i>34%</i>

Source: Intermonte SIM

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

		g										
		2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%
WACC	4.8%	109	113	118	124	130	136	144	152	162	173	185
	5.0%	99	103	107	111	116	121	127	134	141	149	159
	5.2%	91	94	98	101	105	109	114	119	125	131	139
	5.4%	84	87	90	93	96	99	103	107	112	117	123
	5.6%	78	80	83	85	88	91	94	98	101	105	110
	5.8%	73	75	77	79	81	84	86	89	92	96	100
	6.0%	68	70	71	73	75	77	80	82	85	88	91
	6.2%	64	65	67	68	70	72	74	76	78	81	83
	6.4%	60	61	63	64	66	67	69	71	73	75	77
	6.6%	57	58	59	60	62	63	65	66	68	70	71
6.8%	54	55	56	57	58	59	61	62	63	65	67	

Source: Intermonte SIM

Notwithstanding the recent market correction (PHN -12%, Italy FTSE STAR index -6% over the last month), the current valuation may still look demanding relative to the sector (on EV/EBITDA and P/E multiples) but estimate direction is extremely supportive (sales boost from entry into new markets still not embodied in consensus estimates) prompting us to remain constructive on the stock. For FY22/23, the stock is currently trading at 28/24x EV/EBITDA (selected peers: 20/18x) and 42/38x P/E (selected peers: 33/30x).

PharmaNutra: Key Valuation Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)			EV/Sales (x)			EV/Adj.EBITDA (x)			EV/EBIT (x)			Adj. P/E (x)			Div. Yield (%)		
				1m	6m	Ytd	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
PHN(@mkt price, our est.)	EUR	62.0	600	-12%	66%	65%	8.5	7.4	6.4	31.6	27.7	23.9	33.7	29.9	26.3	51.1	42.4	37.9	1.2%	1.2%	1.3%
PHN (@mkt price, cons.)	EUR	62.0	600	-12%	66%	65%	9.0	7.7	6.7	32.7	28.5	24.7	35.0	30.6	26.7	50.0	43.8	39.8	1.1%	1.1%	1.3%
PHN (@mkt price, our est.)	EUR	84.0	813				11.7	10.1	8.8	43.2	37.8	32.7	46.1	40.8	36.1	69.2	57.5	51.3	0.9%	0.9%	1.0%
BioGaia	SEK	430.00	856	-12%	3%	-20%	9.3	8.1	7.2	27.5	22.8	19.6	29.3	24.5	21.0	45.5	39.3	34.2	1.0%	1.2%	1.4%
Christian Hansen	DKK	520.60	9,225	-5%	-9%	-17%	9.4	8.7	8.1	25.4	23.0	21.1	34.0	30.3	27.3	43.7	37.4	33.6	1.3%	1.4%	1.7%
Probi	SEK	298.00	335	-36%	-33%	-29%	4.4	3.9	3.5	16.1	13.2	12.0	24.8	19.7	17.0	26.3	22.3	20.5	0.4%	0.4%	0.5%
Restricted Peer Group							7.7	6.9	6.3	23.0	19.7	17.6	29.4	24.8	21.8	38.5	33.0	29.4	0.9%	1.0%	1.2%
Clover	AUD	1.45	155	-5%	-24%	-12%	4.1	3.5	2.8	25.1	18.5	13.8	27.0	19.6	14.4	33.5	28.0	20.6	0.7%	1.4%	2.3%
Jamieson Wellness	CAD	37.62	1,042	6%	-1%	4%	3.8	3.5	3.2	17.0	15.1	13.8	21.9	17.9	16.4	28.1	25.0	22.1	1.5%	1.6%	1.8%
Orion Oyj	EUR	34.29	4,849	-2%	-1%	-9%	4.6	4.4	4.2	15.8	15.0	13.7	18.7	17.5	15.8	25.2	22.9	20.1	4.3%	4.4%	4.5%
Recordati	EUR	48.97	10,241	-10%	7%	8%	6.9	6.4	5.9	18.1	16.6	15.2	21.5	19.5	17.9	23.8	21.9	20.4	2.3%	2.4%	2.6%
Vifor Pharma	CHF	122.00	7,398	-8%	-7%	-12%	4.4	3.8	3.3	12.9	10.8	8.9	20.2	16.0	12.5	24.8	20.8	17.2	1.8%	2.0%	2.1%
Broader Peer Group							5.9	5.3	4.8	19.7	16.9	14.8	24.7	20.6	17.8	31.4	27.2	23.6	1.7%	1.9%	2.1%

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	PHARMANUTRA		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	84.00	Previous Target (Eu):	83.00
Current Price (Eu):	62.00	Previous Price (Eu):	70.40
Date of report:	08/10/2021	Date of last report:	07/09/2021

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

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

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

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

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

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BUY:	17,36 %
OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM	04,13 %
SELL:	00,00 %

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OUTPERFORM:	49,09 %
NEUTRAL:	20,00 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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