

PHARMANUTRA

SiderALizing the world

22 March 2022

A product that has already conquered Italy...

Pharmanutra is the Italian leader in the development and distribution of nutraceutical products. In 2012, the group developed its patented technology, Sucrosomial®, an innovative delivery system able protecting micronutrients like iron and increasing their absorption. The product SiderAL® is one result of this proprietary technology and the undisputed market leader in oral iron supplements in Italy. Despite a premium price positioning (36% above the average price for similar products), SiderAL has a market share of over 55%, far ahead of its closest competitor with a market share of 4.7%.

...and is now tackling the international market

While the potential in Italy remains significant, PHN also aspires to export its leadership internationally. Its strategy is to penetrate new countries leading with its flagship product, SiderAL, before adding the group's other products. Currently present in nearly 60 countries through 40 commercial partnerships, the group has announced six new distribution contracts in 2021 including a contract for the German market (second European market behind Italy) and the first expansion of PHN in one of the strategic countries (USA, UK, Germany, France). The group is closely monitoring any M&A opportunities in these key markets to establish a direct distribution network.

A sector that has emerged as a winner from the Covid-19 crisis

According to the WHO, iron deficiency is world's most common and widespread nutritional disorder. With an estimated 8.6% market growth until 2028, the Covid-19 pandemic has played an important role in the awareness of the benefits of food supplements. More and more people want to boost their immune system against external attacks; dietary supplements have become the primary tool to achieve this thanks to their positioning as disease prevention.

A substantial R&D initiative that should continue to grow

Although SiderAL represents 80% of PHN's revenue, it is not the group's only product. Cetilar (10% of revenue), ApportaAL, and UltraMag are also a part of Pharmanutra's product portfolio. Thanks to the Sucrosomial technology, PHN has a huge R&D force that should continue to grow, with a new headquarters and research laboratory currently under construction. Additionally, for the first time, the group has applied its technology to plant extracts which has resulted in a newly patented active ingredient, Sucrosomial® Berberine, which should have significant commercial potential.

An opportunity to gain position as one of the sector's premium players

With the stock down nearly by 15% since the beginning of the year, we believe that the current price represents an interesting entry point. With the potential for international expansion becoming increasingly concrete, this morning **we have raised our TP to €83 (vs. €80) following the upgrade of our scenario, while reiterating Pharmanutra's Buy rating.**

Buy

Target Price: **€83 (vs. €80)**

Upside: **26%**

Market Data

Industry	Pharma
Share Price (€)	65.4
Market Cap (€M)	633.1
Market Segment	STAR
Bloomberg	PHN IM

Andrea Lacorte	31.4%
Roberto Lacorte	23.1%
Beda srl	10.5%
Free float	35.0%

M€ (31/12)	2021	2022e	2023e	2024e
Sales (€M)	68.8	78.7	90.5	103.5
Growth	17.3%	14.3%	15.1%	14.3%
EBIT	18.7	19.1	23.6	27.4
EBIT Margin	27.2%	24.3%	26.1%	26.4%
Net Income	12.3	13.7	16.9	19.6
EPS €	1.42	1.41	1.75	2.03
EPS growth	-2.1%	-0.6%	23.6%	16.1%
Dividend	0.67	0.71	0.71	0.87
Yield	1.0%	1.1%	1.1%	1.3%
FCF	15.4	-0.8	14.6	16.9
ROCE	47.9%	32.1%	37.6%	41.2%
EV/Sales (x)		7.8x	6.8x	5.9x
EV/EBIT (x)		31.9x	26.2x	22.3x
PE (x)		46.3x	37.5x	32.3x
Net debt	-19.1	-23.1	-15.3	-23.1
Gearing net	n.a	n.a	n.a	n.a

Estimations Midcap Partners

Upcoming Event : Q1 Results - 5/9/2022

Analyst : Corentin MARTY
Email : cmarty@midcapp.com
Phone : +33 (0)1 78 95 71 67



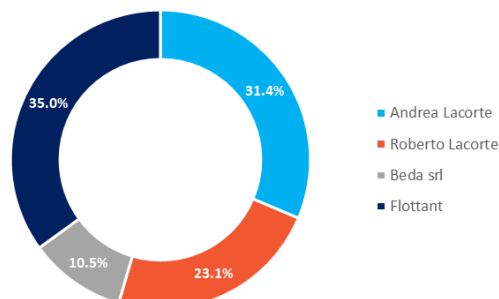
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I. OVERVIEW

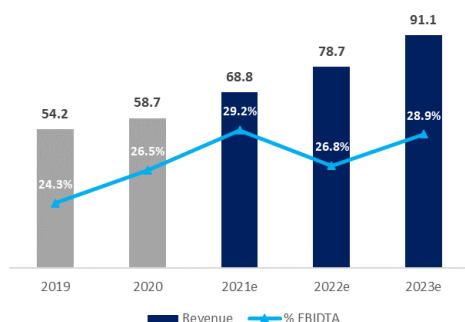
Description

Pharmanutra, established in 2003 in Pisa, is an Italian pharmaceutical group specialized in the development of nutraceutical supplements and medical devices. The group is active in the research, design, development and marketing of its innovative products. Its portfolio is focused on over-the-counter oral iron supplements with the SiderAL product line and its 54% market share in Italy.

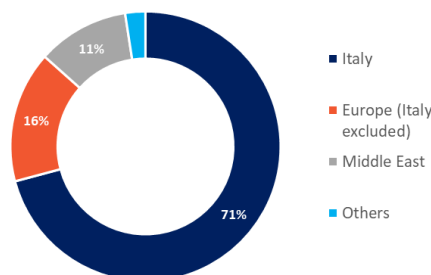
Shareholders



Business growth from 2019-2023



Geographical distribution of 2020 revenue



SWOT Analysis

Strengths

- Leader in the high growth niche of oral iron supplements
- Patented technologies and production processes not expiring before 2032
- Integrated business model with internalization of all critical phases of the value chain
- Extensive distribution network in the domestic market (about 160 agents)

Weaknesses

- High dependence on a single product line
- Dependence on third-party distribution agreements for international business
- Small size in an industry where large global players are also present

Opportunities

- Increase domestic market penetration
- Continued internationalization with new distributors
- Penetration of key markets with possible M&A operations establishing direct networks
- New Sucrosomial applications leading to new products

Threats

- Increased competition from existing products or new alternatives
- Slower than expected key market penetration
- Patented technology obsolescence

II. Consolidating Its Leadership in Italy

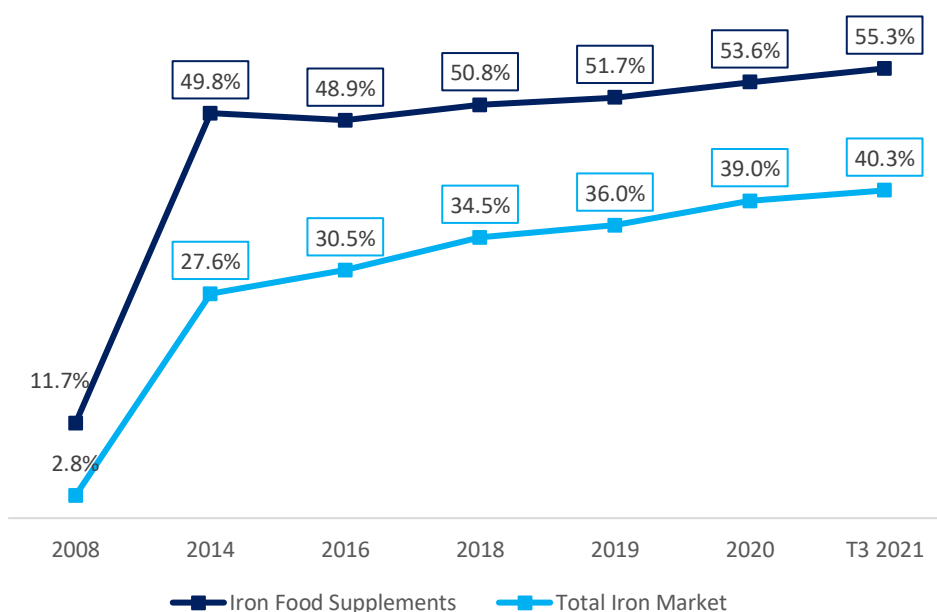
Pharmanutra is the Italian market leader in nutraceutical supplements with an international presence. As a reminder, Pharmanutra's business model and the marketing of its products is organized into two divisions:

- **Direct marketing** of its domestic market with the support of nearly 160 sales representatives who are also able to provide scientific information and education
- **Marketing via international distributors.** Today, Pharmanutra is present in nearly 60 countries around the world thanks to 40 commercial partners

The Italian market still has plenty of potential. Indeed, Italy is the largest European market for food supplements (€3.5bn in 2019). Awareness of the benefits of these products is very high in Italy with 52% of Italian adults using a vitamin or mineral supplements.

Pharmanutra intends to capitalize on its flagship product **SiderAL**, whose market share continues to grow and development in Italy. **SiderAL** is an oral iron supplement based on the group's Sucrosomial technology. In Italy, SiderAL had a market share of more than 55% of the supplements market as of 30 September 2021 (vs. 53.5% as of 30 September 2020) in **a market that is growing by 11% and is expected to represent €87m for FY2021**. If we look at the iron market as a whole (dietary supplements + medicines), SiderAL has a 40% market share in Q3 2021.

Italian market growth of SiderAL products since 2008

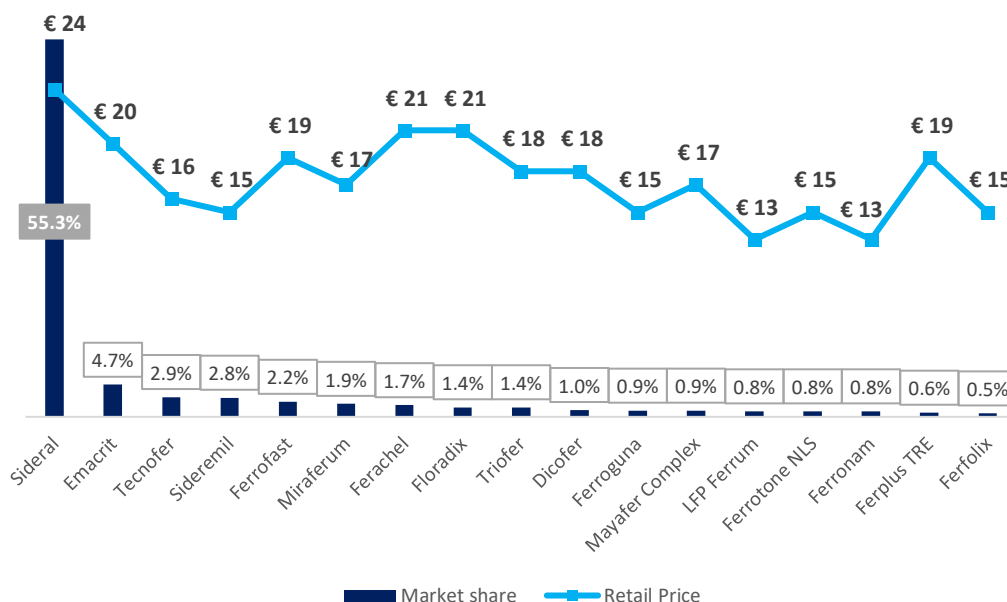


Sources: Pharmanutra, IQVIA

It is even more interesting to look at the volume market share in the iron market in Italy. While SiderAL represents 55.3% of the iron supplement market in Q3 2021, the units sold total less than 48% of all volumes sold. The difference is even greater in the iron market with SiderAL representing 40% in Q3 2021 for 21.5% (517k units) of the volumes sold (2,417k units).

These figures attest to the quality and premium stature of Pharmanutra's Sucrosomial based iron supplement. **The group therefore has significant pricing power in the current inflationary context.** With a selling price of €24, SiderAL is clearly above the competition's prices (with the market's average price of €17.6 for other brands).

Main iron supplements in Italy, price & market share as of 30 September 2021

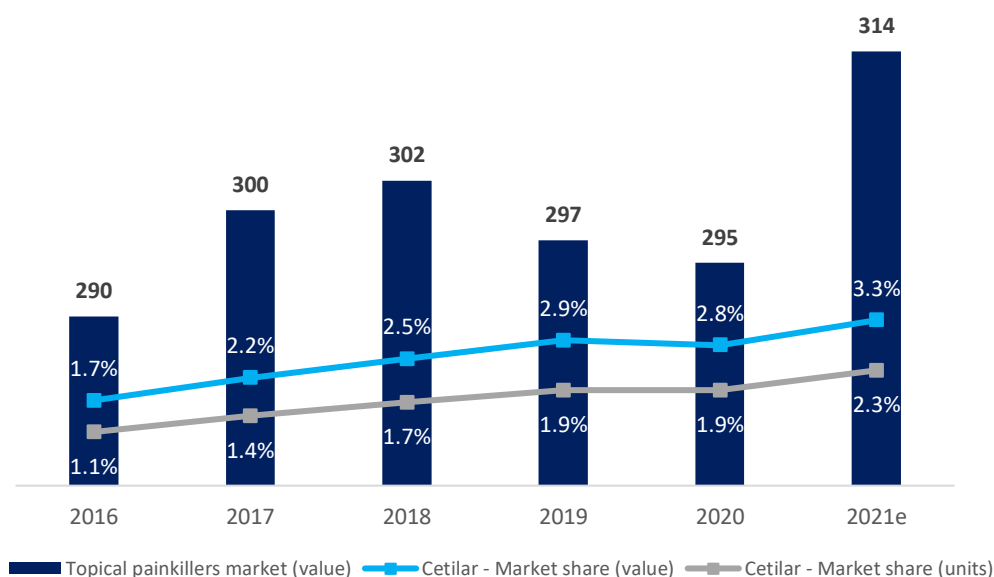


Sources: Pharmanutra, IQVIA

With a market share that has been steadily increasing since the product's launch in a market that has been growing at more than 9% per year since 2015, **there is no doubt that the potential remains significant in Italy for SiderAL.**

SiderAL's undisputed leadership position in Italy also paves the way for PHN's other products, including **Cetilar**, which is the group's second best-selling product (10% of total revenue and 17% of 2019 direct sales). **Cetilar** is positioned in the topical muscle painkillers market, which accounted for €295m in 2019 in Italy. Unlike iron supplement market, the analgesics market is much more mature and has even experienced a slight decline in recent years. However, it is expected to rebound significantly in 2021 with a growth of nearly 10% in Q3 2021. This market is dominated by the product Voltaren, which has a market share of almost 33%. Including Cetilar, the remaining market share is highly fragmented with market shares between 1-7%. Like SiderAL, Cetilar presents itself as a premium product at a price (€19) higher than average charged by competitors (€13.4). Despite the higher price, Cetilar continues to increase its market share every year and now represents 3.3% of the Italian market.

Italian market for topical analgesics and Cetilar's market share



Sources: Pharmanutra, IQVIA, TP ICAP Midcap

However, the product with the strongest growth in 2021 is neither SiderAL (+20.7% as of 30 September 2021) nor Cetilar (+20.7% as of 30 September 2021), but ApportaAL (+77.2% as of 30 September 2021), the group's third best-selling product. Like SiderAL, ApportaAL is a dietary supplement based on PHN's Sucrosomial technology. It is composed of 19 nutrients including 5 minerals. ApportaAL's strong growth in 2021 can be explained in large part by the proven benefits of this complete dietary supplement against chronic fatigue following a Covid-19 infection. According to the WHO, long forms of Covid would affect between 10-15% of total infection cases. A study conducted by several doctors in Italy measured 200 patients' quality of life and level of fatigue 14-28 days after the start of the supplementation. The results for the first 100 patients showed an improvement in fatigue levels of 64% on average in 95% of cases.

More generally, **the Covid-19 pandemic is expected to benefit the entire dietary supplement industry.** According to Grand View Research, the global dietary supplements market is expected to grow at an average of 8.6% annually between 2021 and 2028. Awareness of the usefulness of these products is obviously a key factor in the expected strong growth; the Covid-19 pandemic has played an accelerating role. Indeed, more and more people are now seeking to boost their immune system against external attacks. Food supplements are today the main tool to achieve this by positioning themselves in a preventive perspective, upstream of the disease, as opposed to medicinal treatments once the patient has been affected.

III. The Conquest of International Markets

A strategy and selected key countries

International expansion is a fundamental pillar of the group's long-term growth. Pharmanutra's products are currently available in nearly 60 countries around the world through 40 commercial partnerships. Each year, the copious newsflow is important for new patents and distribution contracts; 2022 should be no exception to the rule.

The group is taking its success in Italy as an example and intends to replicate this model internationally by **penetrating new markets with its flagship product, SiderAL, before adding the group's other products in a later phase**. Iron deficiency affects people in every country in the world, especially in emerging countries, and the WHO states that it is the world's most common and widespread nutritional disorder. According to WHO, more than one billion people are anemic due to iron deficiency. These figures are not to be underestimated since iron deficiency can greatly complicate the treatment of chronic diseases: renal failure, heart failure, intestinal failure, etc. **The significant market demand and proven efficacy of Pharmanutra's Sucrosomial iron make SiderAL the ideal candidate to rapidly capture significant market share in all countries where the product is sold.**

Although the prevalence of iron deficiency is lower in developed countries (between 5-10% according to the DGHO), awareness and diagnosis are increasingly important. Pharmanutra has established a list of strategic countries based on size (US, UK, Germany, France) for which relying on a distributor is not the only option being considered. Management is monitoring these markets for possible M&A opportunities to build up its own commercial networks.

On 11 June 2021, Pharmanutra announced its first expansion into Germany, a key country. Already a PHN partner since 2015 in the Austrian, Swiss and Hungarian markets, the multinational Fresenius Kabi will also take over the distribution of SiderAL in Germany. Germany represents the second largest European market for dietary supplements (behind Italy) with an average per capita expenditure of €29 (vs. €59 in Italy). It is currently difficult to obtain precise figures on the size of the German oral iron market. With a population of 83m inhabitants, Germany is the most populous country in Europe and therefore represents a considerable market. Today, we estimate the German market at €115m (vs. €87m in Italy). During our visit to Italy on 11 April 2021, Carlo Volpi (COO of PHN) stated that the German market was dominated by pharmaceutical products and that PHN's aim was to broaden this market with SiderAL. Considering the average 12-month lead time between signing a contract and the start of distribution, the first revenue from SiderAL sales in Germany should be recorded in H2 2022.

Finally, the prospect of a distribution contract in North America, and more specifically in the United States, seems to be getting closer and closer. Indeed, during the presentation of the 2021 annual results on 18/03/2022, Andrea Lacorte (President of PHN) mentioned **very advanced negotiations with a distributor located in North America**. This distributor, which is not specialised in nutraceutical products, **would have more than 21,000 stores in the US** and would like to diversify its offer with PHN products. The signing of such a contract would be significant given the size of the North American market (41% of the world food supplement market according to Statista).

Pharmanutra in Latin America

While waiting for a distribution deal in the USA, where everything seems to be ready from a regulatory point of view regarding SiderAL and Cetilar, the PHN group is already present in America with active distribution contracts in Mexico, Brazil, Bolivia and soon in Argentina.

PHN's presence in America: Mexico, Argentina, Brazil and Bolivia



On 16 November 2021, Pharmanutra announced a new distribution agreement in Argentina with Laboratorios Ariston. This new partnership is part of the group's quest to become the region's market leader. First sales in Argentina are expected in early 2023.

The prevalence of iron deficiency in Latin America is much higher than in the most developed countries. Young children and women of childbearing age are the most affected by this problem, especially in Latin America. In Argentina and Mexico, iron anemia affects between 7.6-19.9% of children under six years of age and women of childbearing age. The prevalence is even higher in Brazil and Bolivia with rates ranging from 20.1-38.3%. The most affected countries in this area are Panama and Haiti with rates between 40-45.5%, making iron anemia a "serious" public health issue.

Prevalence of iron anemia in Latin America in children under 6 years & women of childbearing age

Mexique et Argentine	entre 7.6% et 19.9%	« Léger » problème de santé publique
Bresil et Bolivie	entre 20.1% et 38.3%	« Modéré » problème de santé publique
Panama et Haiti	plus de 40%	« Grave » problème de santé publique

Sources: TP ICAP Midcap, National Library of Medicine

Pharmanutra in Asia

While the group was already present in India, Thailand, Pakistan and South Korea through various distributors, Pharmanutra will strengthen its presence on this continent in the coming months in four new regions: Malaysia, Singapore, Vietnam, and Jordan.

PHN's Asian presence: Thailand, Pakistan, South Korea, Malaysia, Singapore, Vietnam & Jordan



On 14 October 2021, Pharmanutra announced the signing of several distribution agreements for its two main product lines, SiderAL and Cetilar. ATB, which already handles Cetilar's distribution in Thailand, will also be responsible for distributing Cetilar Crema in Malaysia and Singapore and SiderAL in Vietnam. Argon Drug Store will distribute four products from the SiderAL line in Jordan.

Southeast Asia is the region most affected by anemia, with nearly 315m cases, representing a 53% prevalence (source: Institute of Hematology of La Sapienza University of Rome). Given that nearly half of all anemia cases are caused by iron deficiency, this region represents a huge market for Pharmanutra. India, the second most populous country in the world with 1.4bn people and where the group is present since 2019, is obviously a very important market also. Moreover, India is a country particularly impacted by iron deficiency, as nearly 55% of women between the ages of 15-49 are iron deficient. In the countries that the group will soon penetrate, 53% of pregnant women in Vietnam and 1 in 3 children under the age of five in Jordan, are affected by iron deficiency. In all these countries, communication about iron supplementation should become increasingly important over the next few years, as this is becoming a major public health issue.

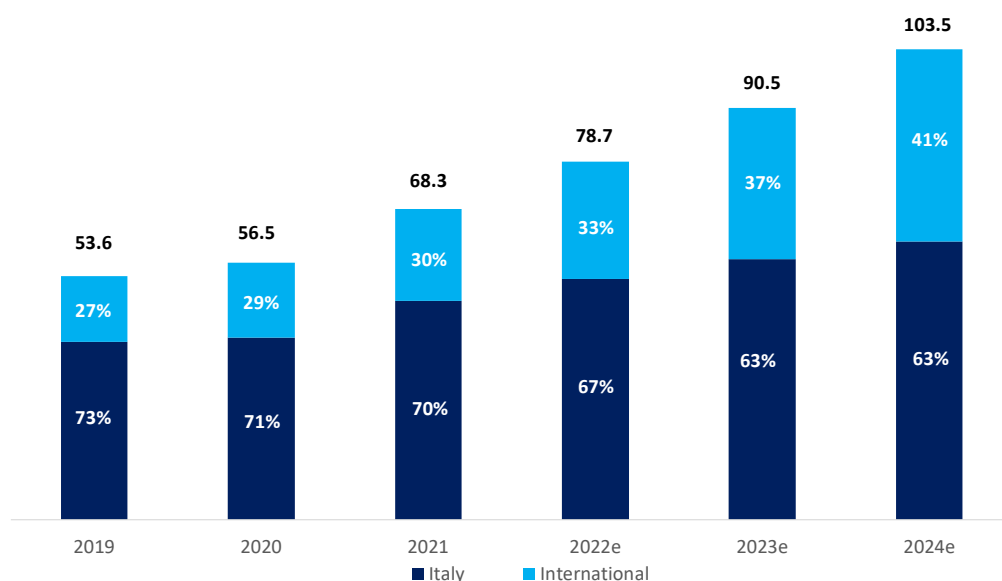
Pharmanutra is also preparing for future cross-selling in Asia. In particular, the group announced that it obtained patents for the Cetilar product line in China and India in 2021. Andrea Lacorte, President of PHN, stressed the importance of obtaining these patents in countries where the protection of intellectual property rights can be complicated.

We are convinced that PHN's international business represents an important growth driver for the group in the:

- Short-term, with the first revenue from contracts signed in 2021 and the very likely arrival of new distribution contracts in 2022
- Medium-term, with penetration in other countries considered strategic (UK, US, France)
- Long-term, with a possible direct distribution network beyond Italy, especially in strategic countries

Our estimates are based on a growth of the international business of approximately 30% each year between 2021-2024. At the end of this period, this will represent 40% of PHN's revenue.

Estimated sales growth & segmentation between 2019-2024



Source: TP ICAP Midcap

IV. A New Facility and New Products

After investing nearly €3m in the summer of 2020 to acquire a new location for the group's headquarters and research laboratory, on 30 August 2021, PHN announced that construction had begun and is expected to take about 16 months for a total cost estimated at €18m. The group's new headquarters will cover an area of more than 5,200 square meters, including 2,200 square meters dedicated to R&D and raw material production. The group's intention is to create one of the most innovative nutritional research laboratories in Europe. With nearly 10,000 square meters of unused space on the new headquarters' site, PHN is leaving room for future expansion.

Pharmanutra's new headquarters & research laboratory in the province of Pisa



Source: Pharmanutra

While waiting for its new research laboratory, which is intended to attract new researchers, Pharmanutra continues its R&D activities with a significant pipeline of products in development. As a reminder, the pharmaceutical industry's product development cycle averages 12 years. For its dietary supplements, PHN's development cycle lasts between 1 to 3 years.

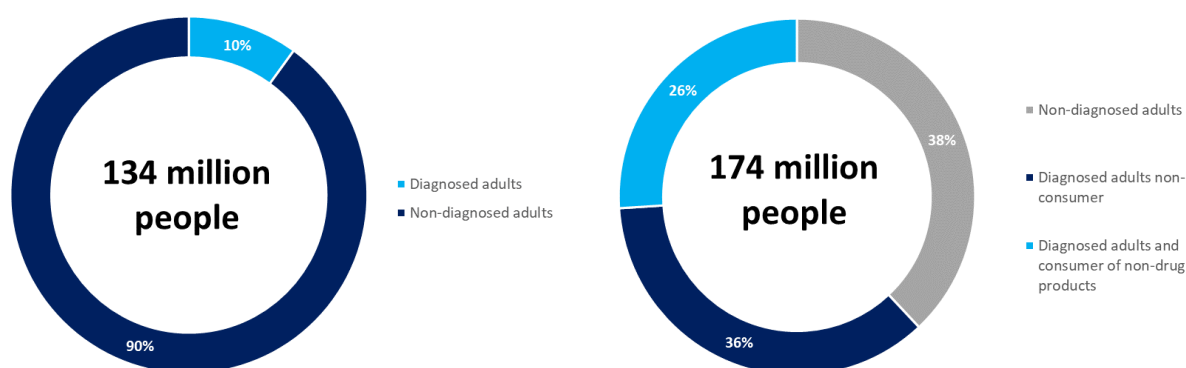
On 25 October 2021, Pharmanutra announced that its subsidiary Alesco, which specializes in the development, production and distribution of raw materials for active ingredients, had received a new patent from the Italian authorities. This patent, valid until 2039 is regarding a new active ingredient based on berberine. This is an important step for the group since this extract comes from plants and represents therefore the be the first application of its Sucrosomial technology to ingredients other than minerals. The technology's potential will be further enhanced by this new application regarding plant extracts. Consumer demand for natural products, particularly from plant extracts, is a genuine structural trend in the dietary supplement market which PHN seems to be in a position to take full advantage of.

Beyond this new application for the Sucrosomial technology, the active ingredient developed by Alesco could represent a very important commercial success. Berberine is notably known for its effects on blood sugar and cholesterol levels. However, like many ingredients, berberine also has some gastrointestinal side effects. One of the main benefits of the Sucrosomial technology is the absorption and tolerability of the molecules contained in its products' active ingredients. The group could therefore address the substantial markets of Type-2 diabetes and cholesterol. Each of these markets touches hundreds of millions of people worldwide.

While the International Diabetes Federation (IDF) estimates that there are more than 460m diabetics worldwide, the number of pre-diabetics (those at risk of developing Type-2 diabetes in the future) is estimated at 900m people. This is the population that Pharmanutra would address since food supplements are positioned as a preventive solution. Regarding the cholesterol market, the proportion of the world's adult population suffering from hypercholesterolemia is 39% according to WHO. It is possible to find more details on specific markets (United States, United Kingdom, Germany, France, Spain, Italy):

- Regarding pre-diabetes, the market represents €600m in these regions. The pre-diabetes diagnosis rate is still relatively low (estimated at 10%) but is expected to increase significantly over the next few years, elevating the market to €1.8bn by 2027.
- The cholesterol market is much more mature and is already served by numerous products. The market could represent €1.2bn in these countries. The diagnosis rate is much higher for this pathology with an estimated rate of 48% and nearly 41% of those diagnosed are already consumers of non-medicated products.

Pre-diabetes (left) & cholesterol (right) markets in the countries mentioned



Source: AEC Partners

The consumption of dietary supplements for the prevention of metabolic and cardiovascular diseases should continue to increase significantly in the wake of the current pandemic. Individuals suffering from these pathologies would have a significantly higher risk of hospitalization in case of Covid-19 infection than individuals without comorbidity. Therefore, awareness of prevention's importance should be greatly enhanced. Following the company's usual development cycle, we can expect newsflow on this new ingredient over the next 24 months. While waiting for a possible future product, Pharmanutra will continue to develop its commercial network in Italy and especially internationally for its existing products.

V. Valuation

While the stock is down 15% since the beginning of the year, we believe that the current TP represents a good opportunity to invest in Pharmanutra. Our DCF approach points to a TP of €83, representing an upside potential of 26%

Discounted cash flow method

This approach is based on the following assumptions:

Standard flows

- Double-digit revenue growth until 2027, which seems credible in view of : 1) the group's growth history (21% CAGR between 2014-2021); 2) a market expected to continue to grow by 8.6% per year until 2028 ; the group's increasingly international strategy
- A normative EBITDA margin of 31% (vs. 29% estimated in 2021)
- A significant CAPEX in 2022 for the construction of the group's new headquarters and research laboratory in the province of Pisa
- A normalized tax rate of 27.9%
- A level of working capital controlled and normalized at 17%

Discount rate

- A normalized risk-free rate of 1.5%
- An equity risk premium of 7%
- A beta of 0.60 including 100% equity financing
- A size, liquidity and specific risk premium of 1%
- **A perpetual growth rate of 3%**
- **A WACC of 6.7%**

DCF Scenario

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
CA	78.7	90.5	103.5	118.4	133.1	148.2	163.2	177.9	191.1	203.1
% var	14%	15%	14%	14%	12%	11%	10%	9%	7%	6%
EBITDA	21.1	25.8	29.9	34.7	39.6	44.7	49.9	55.1	59.8	63.0
% var	5.0%	22.4%	15.9%	16.1%	14.1%	12.9%	11.7%	10.5%	8.4%	5.3%
% of revenue	26.8%	28.5%	28.9%	29.3%	29.7%	30.2%	30.6%	31.0%	31.3%	31.0%
D&A	(2.0)	(2.2)	(2.6)	(3.2)	(2.8)	(3.4)	(3.5)	(3.5)	(3.5)	(3.0)
% of revenue	-2.5%	-2.4%	-2.5%	-2.7%	-2.1%	-2.3%	-2.1%	-2.0%	-1.8%	-1.5%
EBIT	19.1	23.6	27.4	31.55	36.81	41.28	46.40	51.62	56.27	59.91
% revenue	24.3%	26.1%	26.4%	26.7%	27.6%	27.9%	28.4%	29.0%	29.5%	29.5%
Tax	-5.3	-6.5	-7.6	-8.8	-10.3	-11.5	-12.9	-14.4	-15.7	-16.7
Tax rate	27.7%	27.7%	27.8%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
D&A	-2.0	-2.2	-2.6	-3.2	-2.8	-3.4	-3.5	-3.5	-3.5	-3.0
CAPEX	-14.6	-2.4	-2.9	-3.0	-3.1	-3.1	-2.9	-3.0	-3.1	-3.0
% revenue	18.5%	2.7%	2.8%	2.6%	2.3%	2.1%	1.8%	1.7%	1.6%	1.5%
Change in WRC	1.9	2.1	2.4	2.5	2.4	2.4	2.3	2.2	1.8	2.0
% revenue	2.5%	2.3%	2.3%	2.1%	1.8%	1.6%	1.4%	1.2%	1.0%	1.0%
FCF	-0.7	14.8	17.1	20.4	23.8	27.7	31.7	35.6	39.2	41.1
Discounted FCF	-0.7	13.2	14.3	16.0	17.6	19.1	20.5	21.6	22.3	21.9

Source: TP ICAP Midcap

DCF summary & sensitivity analysis

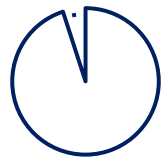
Synthesis		Sensitivity table						
		Price	WACC					
			6.1%	6.4%	6.7%	7.0%	7.3%	
Cumulated NPV of FCF	165.9	Perpetuity growth rate	2.0%	80.0	74.0	69.0	64.0	60.0
Discounted Terminal Value	617.4		2.5%	89.0	82.0	75.0	70.0	65.0
Enterprise Value	783.2		3.0%	101.0	91.0	83.0	76.0	71.0
Net debt	-23.1		3.5%	117.0	104.0	94.0	85.0	78.0
Provisions	1.5		4.0%	141.0	122.0	108.0	97.0	87.0
Non-controlling interest	0.0							
Equity Value	804.8							
Number of shares	9.7							
Value per share	83.0							

Source: TP ICAP Midcap

Market comparison method

Among the pharmaceutical/food supplement industry players, one seems to be very comparable in terms of business, positioning and size, the Swedish company **BioGaia**.

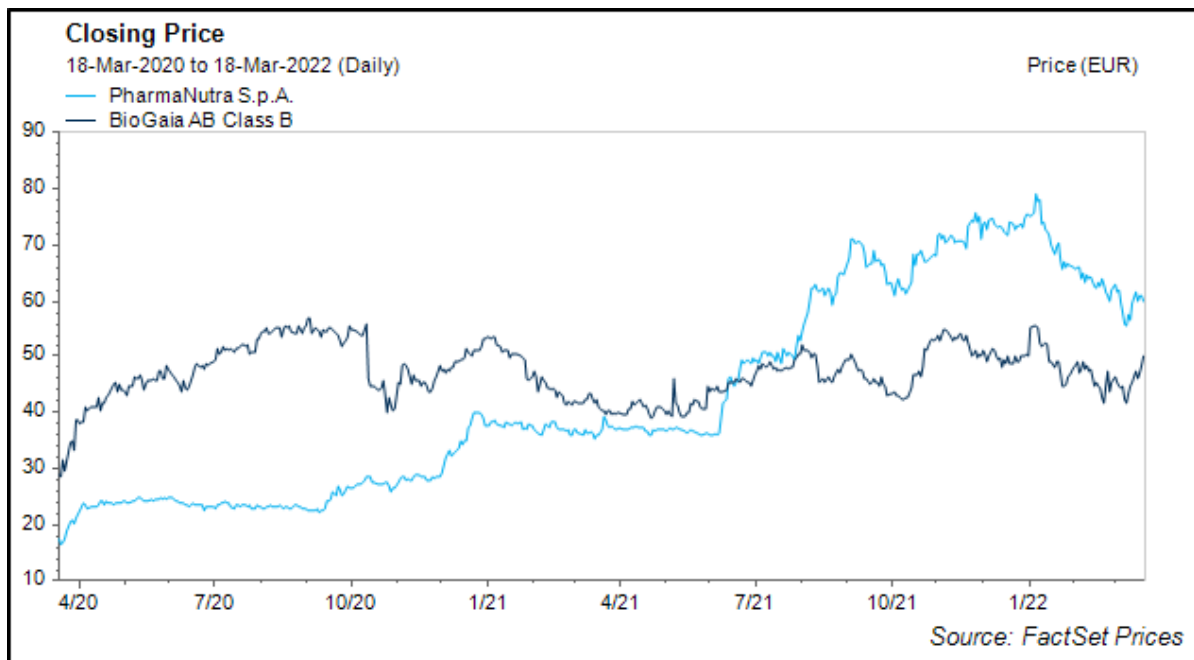
Description & degree of BioGaia's peer comparability

Company	Description	Comparability
BioGaia®	BioGaia AB is involved in the development, marketing and sale of probiotic products. It operates in the following segments: Pediatrics, Adult Health and Others. The Pediatrics segment sells drops, oral rehydration solutions, digestive health tablets, as well as royalties related to pediatric products. The Adult Health segment includes digestive health tablets, oral health products and offers cultures as ingredients in licensees' dairy products. The Other segment includes royalties from development projects and revenue from packaging solutions. The company was founded by Jan Annwall and Peter Rothschild in 1990 and is headquartered in Stockholm, Sweden.	

Sources: Factset, TP ICAP Midcap

For a long time, Pharmanutra's share price was trading at a discount compared to BioGaia; we feel that this has been unjustified. The gap between the two companies' valuation multiples have narrowed in 2021 as Pharmanutra's share price has doubled.

Changes in Pharmanutra & BioGaia's share price over the last two years



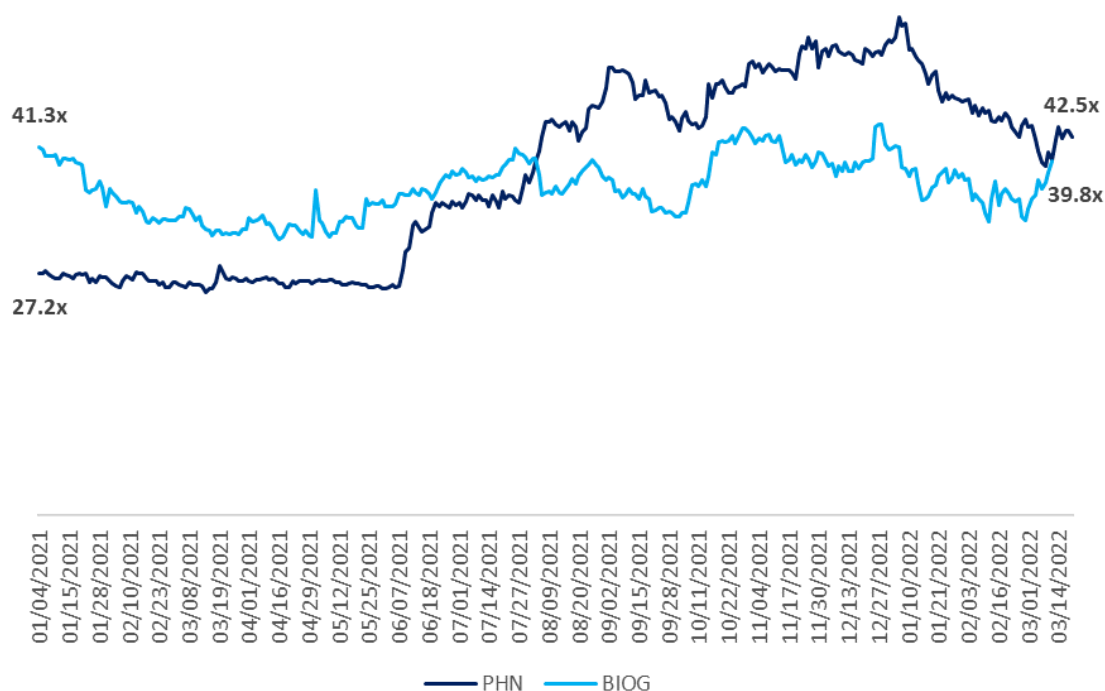
Source: Factset

Changes in the EV/Sales 2022E multiples for Pharmanutra & BioGaia since 04 January 2021



Sources: Factset, TP ICAP Midcap

Changes in the PE 2021E multiples for Pharmanutra & BioGaia since 04 January 2021



Sources: Factset, TP ICAP Midcap

Today, Pharmanutra shares are trading at a discount of 21% vs. BioGaia's EV/Sales 2022E multiples. On the other hand, PHN stock is trading at a 5% and 7% premium on EV/EBIT and PE 2022E multiples vs. BioGaia.

Although Pharmanutra has high valuation multiples, **we believe that the stock still has interesting potential when taking into consideration:** the growth prospects of the dietary supplements market, the continuation and intensification of the group's international expansion led by its flagship product SiderAL, and the company's significant potential to develop new high-potential products (Sucrosomial Berberine). Moreover, from 2020-2024E, **Pharmanutra will grow faster than its main peer (BioGaia)**, both in terms of revenue (with a CAGR of 15.2% vs. 12.6%) and profitability (with an EBIT growth of 19.9% vs. 13.2%).

VI. Management

Andrea Lacorte: President

Mr. Lacorte has degree in Veterinary Medicine, graduating with honors in 1982 from the University of Pisa. He is the president (since 1997) and founder of Nutristar SPA. After conducting extensive research in the fields of nutrition and human lipidology, Mr. Lacorte also contributed to the foundation of (i) Alesco SRL (in 2000), serving until now as Vice Chairman of the Board of Directors and (ii) Pharmanutra (in 2003), serving until now as President. Since 2011, he has been Vice Chairman of the Board of Directors of Junia Pharma. Mr. Lacorte led the research creating the human application of Sucrosomial.



Roberto Lacorte: PDG

Mr. Lacorte graduated in Economics and Commerce from the University of Pisa in 1997. Working in several accounting firms, he has held the following positions: Director at Nutristar SRL (since 2000), Director at Alesco SRL (since 2001), Vice Chairman of the Board of Directors of Pharmanutra (since 2003), Chairman of the Board of Directors of Junia Pharma (since 2009). Mr. Lacorte is registered as a chartered accountant and auditor.



Carlo Volpi: COO

Graduating with an Economics and Business degree from the University of Parma in 1991, Mr. Volpi obtained a SloanMaster in Management from the London Business School of the University of London in 1995. Between 1986-1993 he was a financial analyst at Banca Monte Parma. From 1993-2000 he held several positions at the PAM Group. From 2006-2008, Mr. Volpi was the general manager of Step SPA. Between 2008-2015 he was the general manager of Vertigo SRL. Since 2009, he has been Director and Head of Marketing of Pharmanutra.

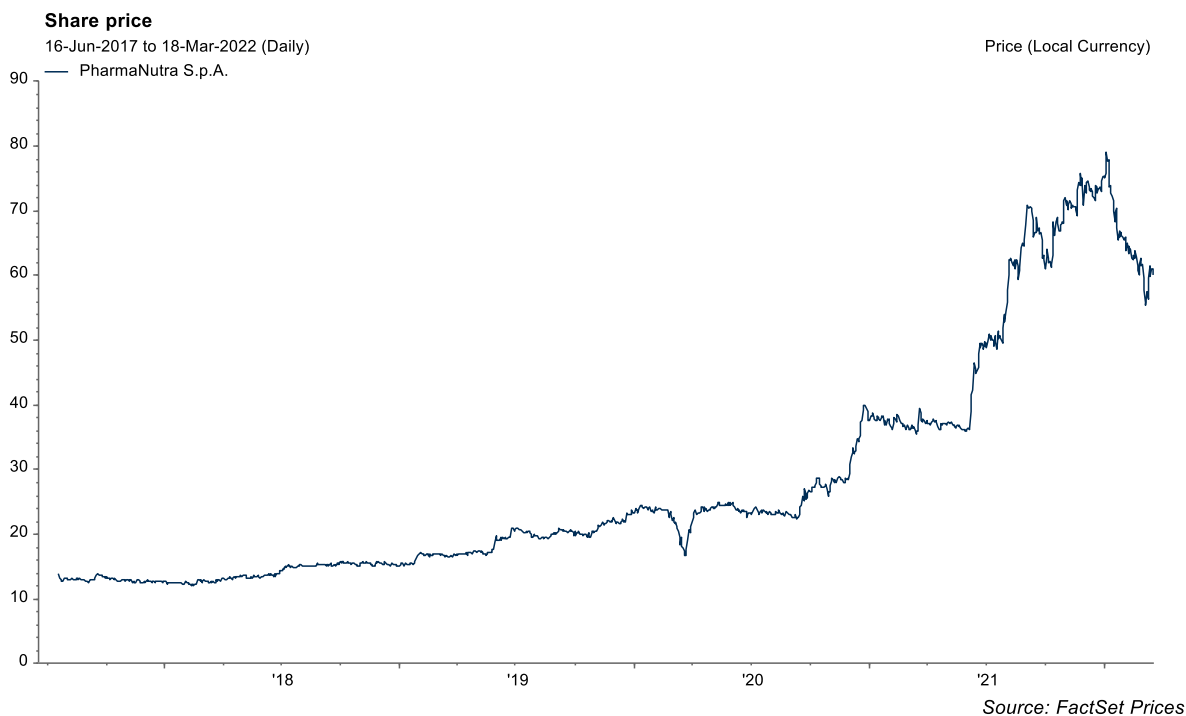


Germano Tarantino: Chief Scientific Officer

Mr. Tarantino graduated with a degree in veterinary medicine from the University of Pisa in 2003. After extensive studies in the field of human clinical nutrition, he was named as Pharmanutra's Chief Scientific Officer. Since 2011, he has been the director of Pharmanutra. Mr. Tarantino has conducted research and created human applications for Sucrosomial.



VII. Market Data



DONNEES BOURSIERES

Volumes moyens journaliers (k titres)		Performance du titre	
3 mois	9.0	Plus haut 12 mois	80.0
6 mois	11.8	Plus bas 12 mois	35.4
1 an	12.1	Perf YTD	-20.4%
3 ans	8.5		

VIII. Financial Data (1/2)

Income Statement (€M)	2019	2020	2021	2022e	2023e	2024e
Total sales	54.2	58.7	68.8	78.7	90.5	103.5
<i>Growth</i>	14.6%	8.2%	17.3%	14.3%	15.1%	14.3%
Gross margin	51.4	56.0	66.5	74.9	86.2	98.5
<i>% of Sales</i>	94.7%	95.4%	96.7%	95.2%	95.2%	95.2%
Costs for services	-34.3	-35.3	-41.5	-48.2	-54.2	-61.9
Personnel costs	-3.3	-3.7	-4.3	-4.9	-5.3	-5.7
Other operating costs	-0.7	-1.4	-0.6	-0.8	-0.9	-1.0
EBITDA	13.2	15.6	20.1	21.1	25.8	29.9
<i>% of Sales</i>	24.3%	26.5%	29.2%	26.8%	28.5%	28.9%
Net depreciation, amortization and provisions	-1.0	-2.3	-1.4	-2.0	-2.2	-2.6
EBIT	12.2	13.2	18.7	19.1	23.6	27.4
<i>% of Sales</i>	22.5%	22.5%	27.2%	24.3%	26.1%	26.4%
Net financial income	0.0	0.1	0.1	-0.1	-0.1	-0.1
Non-recurring income	0.0	0.0	0.0	0.0	0.0	0.0
Income Tax	-3.7	-2.7	-5.0	-5.3	-6.5	-7.6
<i>Corporation tax rate</i>	31%	20%	-27%	-28%	-28%	-28%
Minority	0.0	0.0	0.0	0.0	0.0	1.0
Net income	8.5	10.6	13.8	13.7	16.9	19.6
Balance Sheet (€M)	2019	2020	2021	2022e	2023e	2024e
Tangible and intangible assets	9.6	10.0	13.9	26.5	26.7	27.0
Other non-current assets	1.4	0.5	0.7	0.7	0.7	0.7
Deferred taxes						
Current assets	23.5	24.0	26.1	28.7	32.9	37.4
Cash	13.8	16.5	29.4	21.7	29.5	37.9
Assets	48.9	51.7	71.4	78.8	91.0	104.4
Shareholders equity group	28.1	37.7	45.1	51.9	62.0	73.1
Minorities	n.a	n.a	n.a	n.a	n.a	n.a
Provisions for liabilities and charges	2.9	2.3	4.0	4.0	4.0	4.0
Financial debt	6.4	1.7	6.4	6.4	6.4	6.4
Current liabilities	11.4	10.0	15.9	16.6	18.7	20.9
Liabilities	48.9	51.7	71.4	78.8	91.0	104.4
Cash flow statement (€M)	2019	2020	2021	2022e	2023e	2024e
Operating cash flow	12.0	11.8	16.7	15.7	19.1	22.2
ΔWCR	1.9	-3.8	3.8	-1.9	-2.1	-2.4
Cash flow generated by the activity	13.9	8.0	20.4	13.7	17.1	19.8
Net capex	-4.9	-1.3	-5.0	-14.6	-2.4	-2.9
FCF	9.0	6.6	15.4	-0.8	14.6	16.9
Disposal of tangible and intangible fixed assets	-0.4	0.7	0.0	0.0	0.0	0.0
Change of scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing oper.	-5.3	-0.6	-5.0	-14.6	-2.4	-2.9
Change in borrowings	-0.3	-1.0	0.0	0.0	0.0	0.0
Dividends	-4.8	-4.5	-6.5	-6.9	-6.8	-8.5
Other net cash flow from financing oper.	-4.1	0.7	0.0	0.0	0.0	0.0
Cash flow from financing oper.	-9.3	-4.7	-6.5	-6.9	-6.8	-8.5
Change in exchange rate	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-0.7	2.6	9.0	-7.7	7.8	8.5

Source: Company - Midcap Partners

IX. Financial Data (2/2)

KEY RATIOS

	2019	2020	2021	2022e	2023e	2024e
Revenue growth	14.6%	8.2%	17.3%	14.3%	15.1%	14.3%
Gross margin	94.7%	95.4%	96.7%	95.4%	95.5%	95.7%
EBITDA margin	22.5%	22.5%	27.2%	24.3%	26.1%	26.4%
EBIT margin	24.3%	26.5%	29.2%	26.8%	28.5%	28.9%
Net margin	15.6%	24.0%	20.0%	17.4%	18.7%	19.0%
Reported EPS	0.87	1.45	1.42	1.41	1.75	2.03
Dividend per share	0.5	0.5	0.7	0.7	0.7	0.0
Dividende Yield	0.0	0.0	0.0	0.0	0.0	0.0
NWC as a % of Revenue	21.1%	20.9%	18.4%	18.6%	18.4%	18.4%
FCF	9.0	6.6	15.4	-0.8	14.6	16.9
FCF yield				-0.1%	2.4%	2.8%
Conversion rate (FCF/EBITDA)	73.7%	50.2%	82.5%	-4.4%	61.9%	61.8%
CAPEX/Sales	9.0%	2.3%	5.5%	18.5%	2.7%	2.8%
ROE	30.0%	37.3%	30.5%	26.4%	27.3%	26.8%
ROA	17.3%	27.2%	19.3%	17.4%	18.6%	18.8%
ROCE (after tax)	73.2%	77.2%	88.1%	61.3%	71.4%	78.1%
Gearing, net	-44.2%	-50.7%	-51.1%	-29.6%	-37.3%	-43.2%
Financial leverage	-1.0x	-1.4x	-1.2x	-0.8x	-1.0x	-1.2x
EV/Sales				7.8x	6.8x	5.9x
EV/EBITDA				28.9x	23.9x	20.4x
EV/EBIT				31.9x	26.2x	22.3x
PE				46.3x	37.5x	32.3x

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Méthodologie

Ce Rapport peut mentionner des méthodes d'évaluation définies comme suit :

1. Méthode DCF : actualisation des flux de trésorerie futurs générés par les activités de l'Emetteur. Les flux de trésorerie sont déterminés par les prévisions et les modèles financiers de l'analyste. Le taux d'actualisation utilisé correspond au coût moyen pondéré du capital, qui est défini comme le coût moyen pondéré de la dette de l'Emetteur et le coût théorique de ses fonds propres tels qu'estimés par l'analyste.
2. Méthode des comparables : application des multiples de valorisation boursière ou de ceux observés dans des transactions récentes. Ces multiples peuvent servir de référence et être appliqués aux agrégats financiers de l'Emetteur pour en déduire sa valorisation. L'échantillon est sélectionné par l'analyste en fonction des caractéristiques de l'Emetteur (taille, croissance, rentabilité, etc.). L'analyste peut également appliquer une prime/décote en fonction de sa perception des caractéristiques de l'Emetteur.
3. Méthode de l'actif et du passif : estimation de la valeur des fonds propres sur la base des actifs réévalués et ajustés de la valeur de la dette.
4. Méthode du dividende actualisé : actualisation des flux de dividendes futurs estimés. Le taux d'actualisation utilisé est généralement le coût du capital.
5. Somme des parties : cette méthode consiste à estimer les différentes activités d'une entreprise en utilisant la méthode d'évaluation la plus appropriée pour chacune d'entre elles, puis à en réaliser la somme.

Conflit d'intérêts

Emetteur	Type de conflit
PHARMANUTRA	G

- A. Midcap, ou toute personne morale qui lui est liée, détient plus de 5% du capital social de l'Emetteur ;
- B. L'Emetteur détient plus de 5% du total du capital social de Midcap, ou toute personne morale qui lui est liée;
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- E. Midcap, ou toute personne morale qui lui est liée, a agi, au cours des douze derniers mois, en tant que chef de file ou co-chef de file dans une offre publique d'instruments financiers de l'Emetteur ;
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- G. Midcap et l'Emetteur ont convenu de la fourniture par la première à la seconde d'un service de production et de distribution de la recommandation d'investissement sur ledit Emetteur ;

Distribution des recommandations d'investissement

Midcap utilise un système de recommandation basé sur les éléments suivants :

Acheter : Devrait surperformer les marchés de 15% ou plus, sur un horizon de 6 à 12 mois.

Conserver : performance attendue entre -10% et +10% par Rapport au marché, sur un horizon de 6 à 12 mois.

Vendre : l'action devrait sous-performer les marchés de 15% ou plus, sur un horizon de 6 à 12 mois.

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