

## Buy

PT: €86.00

## Key data

Ticker	PHN IM
Price (13 May 2024)	€50.70
Upside to Price Target (%)	69.6
Market Cap (m)	€490.8
Free Float (%)	35.0
No. of Shares (m)	9.68
1mth perf (%)	(3.5)
3mth perf (%)	(14.1)
12mth perf (%)	(3.9)
12mth high-low (€)	64 - 44

## Key financials

(In EUR M)

Year to Dec	2023A	2024E	2025E
Group revenue	100	111	124
EBITDA (rep.)	26.5	28.5	33.6
EBIT (rep.)	23.4	25.3	30.5
EPS (adj.)	1.60	1.79	2.15
DPS	0.85	0.89	1.08
Net debt/(cash)	(0.4)	(6.4)	(15)
ROCE (NOPAT) (%)	38.8	40.0	45.3
EPS (adj.) y/y (%)	2.3	12.0	20.3
Net debt/EBITDA	(0.0)	(0.2)	(0.4)
EV/Sales	4.9	4.4	3.9
EV/EBITDA (adj.)	18.7	17.1	14.3
EV/EBIT (adj.)	21.2	19.3	15.8
P/E (adj.)	31.8	28.4	23.6
Dividend yield (%)	1.7	1.8	2.1
Free CF yield (%)	(0.1)	2.5	3.5
EV/ICE	8.2	7.7	7.2

Prices are as of close 13 May 2024

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All sources unless otherwise stated: Company data, FactSet, Stifel estimates

## Share price performance (indexed)



## Trough is behind; FY-24 outlook confirmed

## Summary

- PharmaNutra delivered an overall better-than-expected set of Q1 results, with well-anticipated soft sales growth of +1% (in-line), and stricter cost control driving EBITDA above our estimates.
- The weakness in Italy linked to more cautious wholesale orders in Q1 is normalizing and should progressively recover in the coming quarters, with management confirming FY-24 outlook and the feasibility of current consensus.
- We do not anticipate any major consensus changes at this stage. We maintain our Buy rating and €86 price target.

## Key Points

## Key Numbers

- Q1-23 revenue increased +0.5% YoY, in line with SFe and the well-anticipated expectations of softer growth in the Italian market, impacted by the realignment of average inventories of wholesale partners, and more resilient trends in the International division.
- Specifically by division, Italy was down -3% YoY and -6% in volume terms, due to the changed purchasing dynamics in the wholesale channel and some increase in competition in the Iron supplement market. However, revenue in the foreign markets increased +9% YoY, despite an -11% volume decrease, due to a more favourable mix.
- By product, all-important SiderAL sales were down -2% YoY, a tad better than SFe, with the Italian market share decreasing slightly to 47.1% (units) in Q1-24 from 47.8% in Q1-23. Cetilar surprised on the upside, rising +7% YoY, and continued to gain market share in Italy (3.0% units in Q1-24 vs 2.6% in Q1-23). Apportal sales increased +20% YoY, showing resiliency in a very competitive environment (market share in units 3.5% in Q1-24 vs 3.4% in Q1-23). Finally, Akern turnover was down -6%, albeit from a small base, and was substantially aligned with expectations.
- As for profitability, Adj. EBITDA came to €5.0m, -25% YoY and c.15% above SFe due to lower service costs, with a margin of 20.9% (-700bps YoY), impacted by the investments in the new projects (c.€1.4m). Excluding these investments, the Adj. EBITDA margin for the period was more aligned with last year (25.5% vs 26.7% in Q1-23). Net income of €2.6m came in line with our expectations, following higher D&A.
- Cash flow was an outflow of c.€3m after a higher-than-expected WC absorption and €0.7m of capex, driving net debt to €6m (vs €2.6m in FY-23).

## Conference call feedback

- **FY-24 Outlook:** FY-24 remains a challenging year both for maintaining the organic growth of the recurring business and for the development of the new projects launched in 2023 (Cetilar Nutrition, the US and Spain). Revenues and margins are expected to improve progressively starting from H2-24 mainly driven from sales on foreign markets. Management expects FY-24 results to be aligned with the current consensus of low-double digit sales growth (c.€110m sales) and limited reduction in margins (c.25%-26%), with an absolute increase in profitability.
- **Italy:** During Q1, some wholesale partners decreased their stock levels from two months to two-to-three weeks to better manage liquidity. However, the destocking activity is normalizing and management expects sales to recover progressively in the coming quarters and to be more linked with sell-out trends.
- **International:** Foreign markets are expected to be the main growth driver in 2024. Management expects the division to grow around a mid-teens percentage in 2024. Several countries, including Mexico, Jordan and Kuwait, will start to commercialize PHN products in 2024, although their initial contribution should be minimal.

Daniele Alibrandi | +39 (02) 8546 5766 | daniele.alibrandi@stifel.com

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## PharmaNutra: 1Q-24 Results review

€ Mn	1Q23	2Q23	1H23	3Q23	4Q23	2H23	2023	1Q24	1Q24E	A. Vs. E.
<b>P&amp;L</b>										
<b>NET REVENUES</b>	<b>23.6</b>	<b>26.0</b>	<b>49.6</b>	<b>21.8</b>	<b>28.8</b>	<b>50.6</b>	<b>100.2</b>	<b>23.7</b>	<b>23.6</b>	0%
<i>chge% YoY</i>	25.3%	24.7%	25.0%	6.0%	28.2%	17.6%	21.1%	0.5%	0.0%	
<b>Adj. EBITDA</b>	<b>6.6</b>	<b>7.5</b>	<b>14.1</b>	<b>5.0</b>	<b>7.5</b>	<b>12.4</b>	<b>26.5</b>	<b>5.0</b>	<b>4.3</b>	16%
<i>chge% YoY</i>	25.0%	4.5%	13.2%	-25.5%	41.7%	4.1%	8.7%	-24.8%	-35.3%	
<b>margin</b>	<b>27.9%</b>	<b>28.7%</b>	<b>28.2%</b>	<b>22.8%</b>	<b>25.9%</b>	<b>24.5%</b>	<b>26.4%</b>	<b>20.9%</b>	<b>18.0%</b>	
D&A	(0.4)	(0.4)	(0.9)	(0.4)	(1.9)	(2.3)	(3.1)	(0.9)	(0.6)	
<b>EBIT</b>	<b>7.0</b>	<b>6.2</b>	<b>13.2</b>	<b>4.4</b>	<b>5.7</b>	<b>10.2</b>	<b>23.4</b>	<b>4.1</b>	<b>3.7</b>	12%
<i>chge% YoY</i>	40.1%	-9.0%	11.7%	-29.8%	16.6%	-9.4%	1.4%	-41.4%	-47.5%	
<b>margin</b>	<b>29.5%</b>	<b>24.0%</b>	<b>26.6%</b>	<b>20.3%</b>	<b>19.9%</b>	<b>20.1%</b>	<b>23.3%</b>	<b>17.2%</b>	<b>15.5%</b>	
Net Financial Result	0.1	(0.1)	0.0	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	0.0	
<b>PRE TAX PROFIT</b>	<b>7.1</b>	<b>6.1</b>	<b>13.2</b>	<b>4.3</b>	<b>5.7</b>	<b>10.1</b>	<b>23.3</b>	<b>4.0</b>	<b>3.7</b>	9%
Taxes	(1.7)	(4.3)	(6.0)	(2.0)	(2.5)	(4.5)	(10.4)	(1.4)	(1.2)	
Tax Rate (%)	-23.3%	-70.6%	-45.2%	-31.5%	-43.2%	-44.3%	-44.8%	-32.0%	-32.0%	
<b>NET INCOME</b>	<b>5.4</b>	<b>1.8</b>	<b>7.2</b>	<b>2.4</b>	<b>3.2</b>	<b>5.6</b>	<b>12.8</b>	<b>2.6</b>	<b>2.5</b>	5%
ONE-OFFS	0.8	(2.8)	(2.1)	0.0	(0.6)	(0.6)	(2.6)	0.0	0.0	
<b>Adj. NET INCOME</b>	<b>4.6</b>	<b>4.6</b>	<b>9.3</b>	<b>2.5</b>	<b>3.7</b>	<b>6.2</b>	<b>15.5</b>	<b>2.6</b>	<b>2.5</b>	5%
<i>chge% YoY</i>	32.9%	-2.1%	12.8%	-46.1%	68.3%	-9.4%	2.7%	-43.2%	-46.0%	
<b>Adj. EPS</b>	<b>0.48</b>	<b>0.48</b>	<b>0.96</b>	<b>0.26</b>	<b>0.38</b>	<b>0.64</b>	<b>1.60</b>	<b>0.27</b>	<b>0.26</b>	
<b>Net Revenue drivers</b>										
<b>Sales by product line</b>										
<b>Sideral</b>	<b>16.1</b>	<b>18.7</b>	<b>34.8</b>	<b>15.5</b>	<b>21.0</b>	<b>36.5</b>	<b>71.3</b>	<b>15.7</b>	<b>15.5</b>	1%
<i>chge% YoY</i>	14.5%	26.0%	20.4%	11.1%	31.6%	22.0%	21.2%	-2.3%	-3.7%	
<b>Cetilar</b>	<b>2.4</b>	<b>2.5</b>	<b>4.9</b>	<b>2.2</b>	<b>2.9</b>	<b>5.1</b>	<b>10.0</b>	<b>2.6</b>	<b>1.9</b>	34%
<i>chge% YoY</i>	75.3%	-0.4%	26.7%	14.0%	25.1%	20.1%	23.2%	7.3%	7.0%	
<b>Apportal</b>	<b>1.8</b>	<b>2.2</b>	<b>4.1</b>	<b>2.0</b>	<b>2.0</b>	<b>4.0</b>	<b>8.1</b>	<b>2.2</b>	<b>2.9</b>	-25%
<i>chge% YoY</i>	0%	15%	7.8%	-20%	2%	-10.2%	-2.0%	20%	20%	
<b>UltraMag</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	<b>1.0</b>	<b>0.2</b>	<b>0.3</b>	-5%
<i>chge% YoY</i>	33.0%	39.4%	36.5%	-11.7%	8.4%	-1.6%	16.9%	0.0%	0.0%	
<b>Others</b>	<b>0.6</b>	<b>0.7</b>	<b>1.4</b>	<b>0.4</b>	<b>0.8</b>	<b>1.2</b>	<b>2.6</b>	<b>0.6</b>	<b>0.6</b>	-9%
<i>chge% YoY</i>	10.8%	-3.9%	2.5%	-16.8%	30.4%	10.2%	6.0%	-7.4%	1.8%	
<b>Total FP</b>	<b>21.2</b>	<b>24.5</b>	<b>45.7</b>	<b>20.4</b>	<b>26.9</b>	<b>47.3</b>	<b>93.0</b>	<b>21.4</b>	<b>21.3</b>	0%
<i>chge% YoY</i>	17.8%	20.8%	19.4%	6.3%	27.9%	17.6%	18.5%	0.6%	0.1%	
<b>Raw Materials</b>	<b>0.8</b>	<b>0.4</b>	<b>1.2</b>	<b>0.5</b>	<b>0.4</b>	<b>1.0</b>	<b>2.2</b>	<b>0.9</b>	<b>0.8</b>	9%
<i>chge% YoY</i>	3.7%	-34.2%	-12.8%	6.9%	14.7%	10.3%	-3.9%	1.0%	1.0%	
<b>Akern</b>	<b>1.5</b>	<b>1.2</b>	<b>2.7</b>	<b>0.9</b>	<b>1.4</b>	<b>2.3</b>	<b>5.0</b>	<b>1.4</b>	<b>1.5</b>	-4%
<i>chge% YoY</i>	na	na	na	1.0%	35.2%	19.4%	156.6%	-5.9%	-2.0%	
<b>Total</b>	<b>23.6</b>	<b>26.0</b>	<b>49.6</b>	<b>21.8</b>	<b>28.8</b>	<b>50.6</b>	<b>100.2</b>	<b>23.7</b>	<b>23.6</b>	0%
<i>chge% YoY</i>	25.3%	24.7%	25.0%	6.1%	28.2%	17.6%	21.1%	0.5%	0.0%	

Source: Company accounts, Stifel Research and Estimates

## Key Information

### Target Price Methodology/Risks

A weighted average of DCF valuation, computed using a WACC of 7.0% and a terminal growth rate of 4.0%, and peer multiples.

- **Macroeconomic and country risk:** Any deterioration in its key markets due to macro-related issues.
- **Strategy execution risk:** Slower/faster-than-expected delivery against the 2022-30 business plan.
- **Operational risk:** Lack of skilled workforce or labor cost inflation; global supply chain constraints leading to higher manufacturing costs; new HQ construction delays; higher than budgeted costs to develop the US market.
- **Capital allocation:** Cheap/expensive M&A or capital injections to accelerate growth.
- **Competition risk:** New product launches undermining/strengthening its leadership in the oral iron market or in the muscle painkillers segment.
- **Regulatory risk:** Change in food supplements regulation.
- **Technological risk:** From the obsolescence of patented technologies and approvals in new markets.

### Investment case summary

PharmaNutra's competitive advantage stems from its proprietary raw materials employed in its products, as well as its patented technologies, which serve as a valuable barrier to entry from the competition. In the past 20 years, the company grew revenue from zero to ~€100m, maintaining healthy profitability and strong free cash generation. As the company is still at an earlier stage of development while enjoying a clear leading position in the OTC oral iron supplements market in Italy, we believe it can benefit from multiple growth opportunities going forward, both organically and externally.

### Business description

Established by Andrea and Roberto Lacorte in 2003, PharmaNutra (PHN) is an Italian operator active in the R&D, commercialisation, and distribution of nutraceutical products and medical devices. The company is the market leader in the OTC oral iron supplement segment, with its SiderAL product line retaining a ~54% market share in Italy. It also focuses on topical muscle pain treatments through its Cetilar product line. Its flagship products are covered by patents. PHN's business model relies on R&D, with a widespread distribution network in Italy, including ~150 scientific sales representatives, providing access to doctors and pharmacies. Abroad, PHN operates in 85 countries through 50 exclusive key partners, selected among the world's primary pharmaceutical companies. As of H1-23, PharmaNutra had 20 patents, 40 trademarks, 21 proprietary raw materials and over 30 products backed by 158 observational studies.

### Senior management

- Andrea Lacorte, Chairman and co-founder
- Roberto Lacorte, CEO, Vice-chairman and co-founder
- Carlo Volpi, COO
- Francesco Sarti, CFO
- Germano Tarantino, Chief Scientific Officer

### Major shareholders

- Andrea Lacorte, Chairman: 31.4%
- Roberto Lacorte, CEO: 23.1%
- Carlo Volpi, COO: 10.5%
- Free Float: 35.0%

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### PharmaNutra (PHN IM) as of May 10, 2024 (in EUR)



\*Represents the value(s) that changed.

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For a price chart with our ratings and any applicable target price changes for PHN IM go to <http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=PHN IM>

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**Hold** - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

**Sell** - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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<sup>1</sup> This rating is only utilised by Stifel Canada.

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