

### Buy

PT: €86.00

Changes	2023E	2024E
Revenue	4.6%	5.9%
EPS	-7.6%	-6.3%

#### Key data

Ticker	PHN IM
Price (16 March 2023)	€57.30
Upside to Price Target (%)	50.1
Market Cap (m)	555
Free Float (%)	35.0
No. of Shares (m)	9.68
1mth perf (%)	(4.3)
3mth perf (%)	(7.6)
12mth perf (%)	(6.1)
12mth high-low (€)	72 - 53

#### Key financials

(In EUR M)

Year to Dec	2022A	2023E	2024E
Group revenue	82.7	98.0	110
EBITDA (rep.)	24.4	23.9	27.5
EBIT (rep.)	23.0	22.0	24.9
EPS (adj.)	1.56	1.58	1.79
DPS	0.80	0.79	0.81
Net debt/(cash)	(11)	(9.3)	(17)
ROCE (NOPAT) (%)	47.4	38.2	41.7
EPS (adj.) y/y (%)	13.4	1.4	13.1
Net debt/EBITDA	(0.4)	(0.4)	(0.6)
EV/Sales	6.6	5.6	4.9
EV/EBITDA (adj.)	22.6	23.0	19.7
EV/EBIT (adj.)	23.8	25.1	21.8
P/E (adj.)	36.7	36.2	32.0
Dividend yield (%)	1.4	1.4	1.4
Free CF yield (%)	0.6	1.3	2.9
EV/CE	11.3	9.6	9.1

Prices are as of close 16 March 2023

Completed: 16 March 2023 19:06EDT

Disseminated: 17 March 2023 02:00EDT

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

#### Share price performance (indexed)



Ending the year on a high note. Growth reinvestments in 2023.

#### Summary

- PharmaNutra delivered better-than-expected FY-22 results, with stronger-than-expected profitability leading to healthy cash generation.
- Current trading was cautiously optimistic and the indications for 2023 imply a mid-single-digit upgrade to sales, which we do not expect to fall into the bottom line as management will prioritize reinvestments in future growth.
- Our PT of €86 reflects a median 6.5x FY-25 EV/Sales, assuming 13% 2022-30 CAGR, below the company's target of 18% CAGR. Assuming its targets were achieved, a re-rating towards 6.5x would take the stock to >€100/share.

#### Key Points

**FY-22 results above expectations.** FY-22 net sales increased +21.5% YoY to €82.7m, in line with the pre-release of February, implying a low-single-digit beat to consensus in Q4. More specifically, Italy accelerated sequentially to +35% in Q4 (vs. +22% in Q3), driven by volumes and price mix, while International sales were softer (+3% in Q4), due to the timing of deliveries. Akern recorded c.€2m sales in FY-21, slightly ahead of our estimates of €1.7m (consolidated since July). By product, ApportAL's growth remained outstanding (c.+140% in Q4 and Q3) and Cetilar continued to outperform (+24% in Q4; Q3 +29%). SiderAL was up a solid +7% in Q4. As for profitability, which was the focus, FY-22 Adj. EBITDA of €24m, came in 8% ahead of expectations, with a margin of 29.4%, well ahead of consensus and guidance of 27.5%, due to higher operating leverage. Healthy operating cash flow of €14m drove Net Cash to €10.6m (vs. SFe c.€6m), after a c.€7m dividend distribution, c.€11m net cash outflow from Akern acquisition, and lower than expected CapEx (postponement of some HQ-related investments to FY-23).

**Encouraging 2023 outlook.** On the back of the new initiatives kicking off this year (*Prescriptions for the next growth chapter*), management reinstated its cautiously optimistic outlook for 2023. We understood that 15%-20% sales growth is achievable, while the EBITDA margin should normalize around 25%, as management will prioritize the reinvestments of the proceeds primarily into new key hiring and marketing in order to build a solid foundation for the next growth stage of the company.

**Conference call feedback.** 1. 2022's abnormal tax rate includes the accrual of €1.4m one-off provisions following the cooperative compliance with the local Authority relating to the tax periods from 2016 to 2021. 2. PHN hired and trained 15 new sales reps in Italy dedicated to the Sport Nutrition products to be launched next week. Another 7 sales reps will be added in Spain to market the full Cetilar portfolio and sports nutrition. 3. Positive current trading commentary, with no major disruptions seen in Q1 in Italy and the return to double-digit growth abroad. 4. US investments will be gradual, and bigger opportunities will be evaluated at a later stage. 5. Total start-up costs in 2023 should be in the region of €5/7m.

**Change in estimates.** We increased our FY-23/24 sales estimates by 5%, while we cut EBITDA on average by 5%, assuming higher reinvestments. We also increased the growth profile in the outer years, on the back of the new business plan. We are conservatively forecasting a 2022-30 sales CAGR of +13% (vs. BP +18%) with +14% profitability CAGR (vs. BP +20%).

**Buy, PT €86 confirmed, after rolling DCF and multiples mark-to-market.** At ~5x FY-24 EV/Sales and ~20x FY-24 EV/EBITDA the valuation compares favorably against its 3-year median of 6.5x and 25x, at a time when its ROCE, which is still c.40%, is expected to trough in 2023. With the BP key drivers to support growth over the next 5-10 years, PharmaNutra has a great story to tell. Our PT of €86 reflects a median 6.5x FY-25 EV/Sales, assuming a 13% 2022-30 CAGR, which is below the company's target of 18% CAGR. Assuming the company's targets were achieved, a re-rating towards 6.5x could take the stock to >€100/share.

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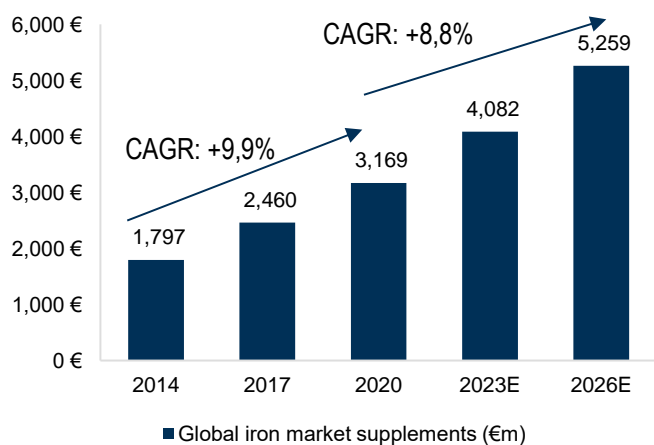
All relevant disclosures and certifications appear on pages 11 - 14 of this report.

## KEY FINANCIALS AND RATIOS

YEAR TO DECEMBER (IN EUR m)	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E
<b>PROFIT &amp; LOSS ACCOUNT</b>									
Group revenue	32.8	37.8	46.6	53.6	56.4	68.1	82.7	98.0	110
EBITDA (rep.)	7.5	9	12.6	13.2	15.6	20.1	24.4	23.9	27.5
EBIT (rep.)	6.59	8.86	11.91	12.20	13.22	18.69	23.0	22.0	24.9
Pre-tax results	6.05	8.77	11.9	12.2	13.3	18.8	23.4	22.0	24.9
Income tax and other items	(2)	(3)	(3)	(4)	0.77	(5)	(8)	(7)	(8)
Net result group	3.85	6.03	8.56	8.45	14.1	13.8	15.0	15.3	17.3
Minorities and other items	0	0	0	0	0	0	0	0	0
Net result shareholders, rep.	3.85	6.03	8.56	8.45	14.1	13.8	15.0	15.3	17.3
EPS	0.43	0.62	0.88	0.87	1.45	1.42	1.56	1.58	1.79
Exceptionals in EBIT	0	0	(1)	0.00	0.47	0	0	0	0
<b>Profit and Loss Account (adj)</b>									
EBITDA	7.53	9	11.8	13.2	16.0	20.1	24.4	23.9	27.5
EBIT	6.59	8.86	12.65	12.20	12.75	18.69	23.0	22.0	24.9
Operating result (company definition)	6.59	8.86	12.7	12.2	12.8	18.7	23.0	22.0	24.9
Net result, shareholders	3.85	6.03	7.86	8.45	11.6	13.3	16.4	15.3	17.3
EPS (adj.)	0.43	0.62	0.81	0.87	1.20	1.38	1.56	1.58	1.79
<b>CASH FLOW STATEMENT</b>									
EBITDA (rep.)	7.5	9	12.6	13.2	15.6	20.1	24.4	23.9	27.5
Change in working capital	(1)	(1)	0.69	(2)	0.46	(4)	3.57	(2)	(1)
Other operating cash flow items	(0)	(2)	(7)	1.20	(4)	4.27	(14)	(7)	(8)
Cash flow before capex	5.86	5.71	6.43	12.0	11.8	20.4	14.1	15.5	18.5
Capital expenditure	(2)	(1)	(1)	(5)	(1)	(5)	(11)	(8)	(2)
Free cash flow	3.69	4.78	5.64	7.12	10.5	15.4	3.33	7.41	16.3
Acquisitions/Disposals/Financial assets	0.24	(1)	(0)	(0)	0.73	0	(11)	(1)	(1)
Dividends, minority payouts	(1)	(2)	(3)	(5)	(4)	(6)	(7)	(8)	(8)
Equity measures, other	(0)	8.22	0.31	0.33	(1)	(0)	(3)	0	(0)
Change in net cash	2.28	10.8	2.28	2.19	5.80	8.71	(17)	(1)	7.67
Net cash (debt)	(2)	9	11	14	19	28	11	9	17
<b>BALANCE SHEET</b>									
Fixed assets	5.21	5.81	5.94	10	10.2	14.1	38.6	45.8	46.3
Current Assets	13.8	27.6	35.5	39.0	41.5	57.2	61.5	65.0	76.5
t/o Inventories	1.10	1.88	2.15	1.85	1.89	2.87	5.26	6.18	6.94
t/o Trade receivables	8.74	10.1	13.0	15.0	15.1	16.7	21.6	25.5	28.6
t/a Cash and equivalents	3.15	14.7	16.7	20.0	21.0	34.4	28.4	27.0	34.7
Group equity	6.65	19.1	24.4	28.1	37.7	45.1	50.9	58.5	68.2
t/o Shareholders equity	6.65	19.1	24.4	28.1	37.7	45.1	50.9	58.5	68.2
Interest-bearing liabilities	4.85	5.61	5.34	6.40	1.66	6.35	17.7	17.7	17.7
Other liabilities and provisions	7.47	8.70	11.7	14.3	12.3	19.9	31.5	34.5	36.9
t/o Trade liabilities	4.20	4.86	6.67	8.16	7.17	10	16.9	19.9	22.3
Balance sheet total	19.0	33.4	41.5	48.9	51.7	71.4	100	111	123
Net Working Capital	5.64	7.10	8.46	8.72	10	10	10.0	11.8	13.2
Capital Employed (incl. Goodwill)	10.8	12.9	14.4	18.6	20.0	23.9	48.6	57.5	59.5
<b>RATIOS</b>									
Revenue y/y (%)	25.4	15.3	23.4	15.0	5.3	20.7	21.4	18.4	12.3
EBITDA Margin (adj.) (%)	23.0	25.0	25.4	24.6	28.4	29.5	29.4	24.4	25.0
EBIT adj margin (%)	20.1	23.4	27.1	22.8	22.6	27.4	27.9	22.4	22.6
EPS (adj.) y/y (%)	43.5	44.8	30.3	7.5	37.2	14.8	13.4	1.4	13.1
Working capital intensity (%)	17.2	18.8	18.2	16.3	17.3	14.4	12.1	12.0	12.0
DSOs	97.3	97.4	102	102	97.3	89.3	95.5	94.9	94.9
Inventory turnover (Days)	12.2	18.1	16.8	12.6	12.2	15.4	23.2	23.0	23.0
Net debt (cash) / EBITDA (adj.)	0.23	(1.0)	(1.0)	(1.0)	(1.2)	(1.4)	(0.4)	(0.4)	(0.6)
EBITDA (adj.) / Capex	3.47	10.14	14.97	2.71	12.05	4.03	2.27	2.96	12.48
Free CF yield (%)	0.7	0.9	1.0	1.3	1.9	2.8	0.6	1.3	2.9
Oper. FCF Yield (%)	0.7	0.9	1.0	1.3	2.0	2.9	0.6	1.3	3.0

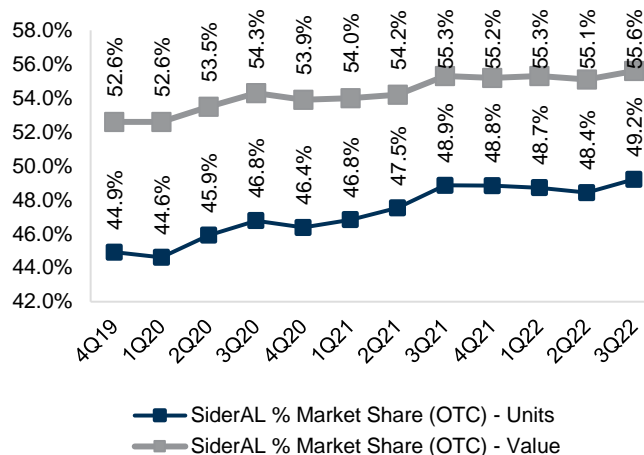
### Case in 6 charts

**Chart 1 - Global iron supplements, an attractive market**



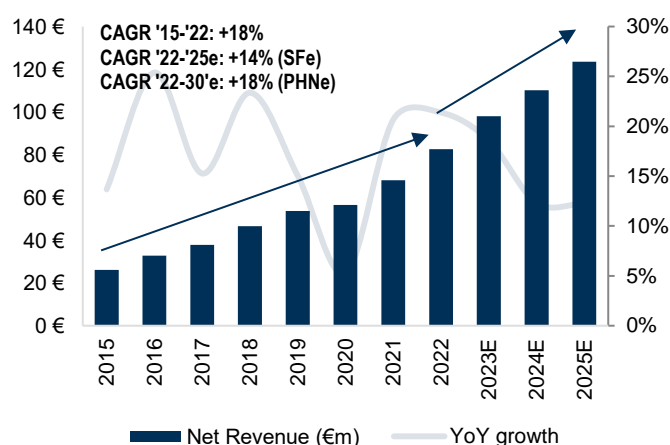
Source: Vifor, Stifel Research and Estimates

**A leader in the Italian oral iron supplements**



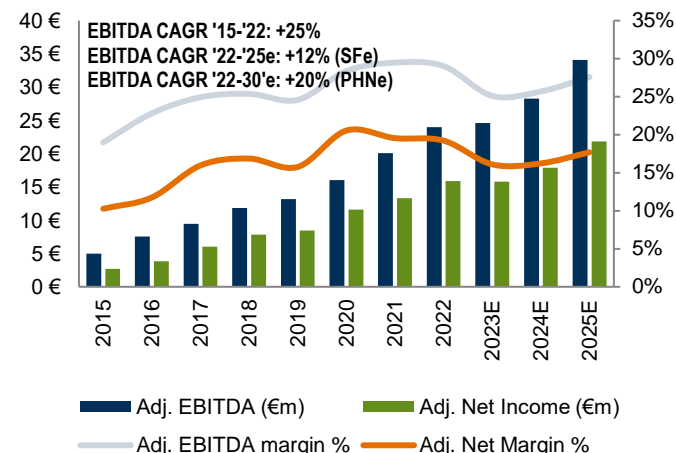
Source: PharmaNutra elaboration on IQVIA data

**Cautious mid-teens sales growth expected**



Source: Company accounts, Stifel estimates

**Chart 2 - Compelling long term margin opportunity**



Source: Company data, Stifel Estimates

**2022-30 growth drivers**



Source: Company accounts

**2Y FWD EV/EBITDA**



Source: Refinitive Eikon

## Company Snapshot

### 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 18 years, the company grew revenue from zero to c.€60m, maintaining healthy profitability and strong free cash generation leading to a net cash position. 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.

### Target price methodology

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

### Risk to our valuation and rating

- **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.

### Key dates

16 March 2023: FY-22 results

26 April 2023: AGM

8 May 2023: Q1-23 results

11 September 2023: Q2-23 results

6 November 2023: Q3-23 results

### Company description

Established by Andrea and Roberto Lacorte in 2003, PharmaNutra 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 c.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 c.150 scientific sales representatives, providing access to doctors and pharmacies. Abroad, PHN operates in 56 countries through 39 exclusive key partners, selected among the world's primary pharmaceutical companies. As of 2020, PharmaNutra had 17 patents, 37 trademarks, 17 proprietary raw materials and 34 products backed by 122 observational studies.

### Key products, clients and end markets

By product:

- **SiderAL line:** Nutritional supplement based on sucrosomial Iron (75% FY-22e reported net revenue)
- **Cetilar line:** Topical muscle pain treatment medical devices (10%)
- **Apportal:** Nutritional supplement containing 19 different ingredients (10%)
- **Ultramag:** Nutritional supplement based on sucrosomial Magnesium (1%)
- **Others:** Including Ribomicin, Dolomir, and Lactozepam (4%)
- **Akern:** Medical devices and software for body composition analysis (2% reported; 6% pro-forma)

By region:

- **Italy** (37% of volumes; 71% of revenue in FY-20) and, **RoW** (63%; 29%), with Europe and the Middle East representing the bulk of foreign sales.

### Key shareholders

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

### Senior management

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

## Summary of forecast changes

Figure 1: Changes to estimates

	FY21	FY22			FY23E			FY24E		
		new	old	diff%	new	old	diff%	new	old	diff%
<b>NET REVENUES</b>	<b>68.1</b>	<b>82.7</b>	<b>81.8</b>	1.1%	<b>98.0</b>	<b>93.6</b>	4.7%	<b>110.0</b>	<b>103.9</b>	5.9%
chge% YoY	20.7%	21.4%	20.1%		18.4%	14.5%		12.3%	11.0%	
<b>Adj. EBITDA</b>	<b>20.1</b>	<b>24.4</b>	<b>22.5</b>	8.3%	<b>23.9</b>	<b>25.8</b>	-7.2%	<b>27.5</b>	<b>28.7</b>	-4.2%
chge% YoY	25.4%	21.3%	12.2%		-1.7%	14.6%		14.9%	11.3%	
<b>margin</b>	<b>29.5%</b>	<b>29.4%</b>	<b>27.5%</b>		<b>24.4%</b>	<b>27.5%</b>		<b>25.0%</b>	<b>27.6%</b>	
ONE-OFFS	0.0	0.0	0.0		0.0	0.0		0.0	0.0	
<b>EBITDA</b>	<b>20.1</b>	<b>24.4</b>	<b>22.5</b>	8.3%	<b>23.9</b>	<b>25.8</b>	-7.2%	<b>27.5</b>	<b>28.7</b>	-4.2%
chge% YoY	29.1%	21.3%	12.2%		-1.7%	14.6%		14.9%	11.3%	
<b>margin</b>	<b>29.5%</b>	<b>29.4%</b>	<b>27.5%</b>		<b>24.4%</b>	<b>27.6%</b>		<b>25.0%</b>	<b>27.6%</b>	
D&A	(1.4)	(1.3)	(1.6)		(2.0)	(2.2)		(2.6)	(2.3)	
<b>EBIT</b>	<b>18.7</b>	<b>23.0</b>	<b>20.9</b>	10.2%	<b>22.0</b>	<b>23.7</b>	-7.3%	<b>24.9</b>	<b>26.4</b>	-5.8%
<b>margin</b>	<b>27.4%</b>	<b>27.9%</b>	<b>25.5%</b>		<b>22.4%</b>	<b>25.3%</b>		<b>22.6%</b>	<b>25.4%</b>	
Net Financial Result	0.1	0.4	0.0		0.0	0.0		0.0	0.0	
<b>PRE TAX PROFIT</b>	<b>18.8</b>	<b>23.4</b>	<b>20.9</b>	12.0%	<b>22.0</b>	<b>23.7</b>	-7.3%	<b>24.9</b>	<b>26.4</b>	-5.8%
Taxes	(5.0)	(8.4)	(6.3)		(6.7)	(7.1)		(7.5)	(7.9)	
<b>NET INCOME</b>	<b>13.8</b>	<b>15.0</b>	<b>14.6</b>	3.1%	<b>15.3</b>	<b>16.6</b>	-7.7%	<b>17.3</b>	<b>18.5</b>	-6.3%
chge% YoY	-2.1%	9.3%	6.2%		1.8%	13.2%		13.1%	11.7%	
<b>Adj. NET INCOME</b>	<b>13.3</b>	<b>16.4</b>	<b>14.6</b>	12.7%	<b>15.3</b>	<b>16.6</b>	-7.7%	<b>17.3</b>	<b>18.5</b>	-6.3%
<b>NET DEBT (CASH)</b>	<b>(28.1)</b>	<b>(10.6)</b>	<b>(5.7)</b>		<b>(9.3)</b>	<b>(12.9)</b>		<b>(17.0)</b>	<b>(20.9)</b>	
NET DEBT/EBITDAx	(1.4) x	(0.4) x	(0.3) x		(0.4) x	(0.5) x		(0.6) x	(0.7) x	

Source: Company accounts, Stifel Research and estimates

## Our revised estimates versus consensus

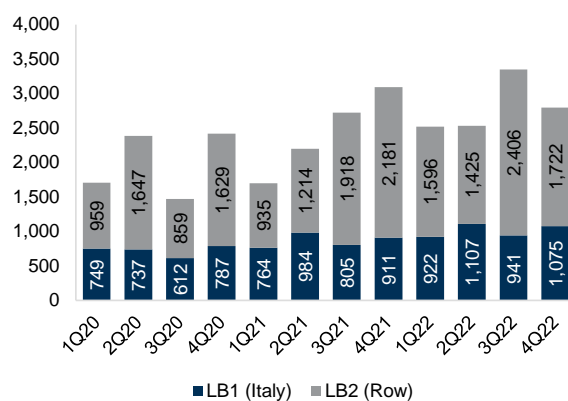
Figure 2: Stifel three-year estimates vs consensus

	FY21	FY22			FY23E			FY24E		
		Stifel	Cons.	diff%	Stifel	Cons.	diff%	Stifel	Cons.	diff%
<b>NET REVENUES</b>	<b>68.1</b>	<b>82.7</b>	<b>81.6</b>	1.4%	<b>98.0</b>	<b>95.5</b>	2.6%	<b>110.0</b>	<b>108.0</b>	1.8%
chge% YoY	17.3%	20.5%	19.2%		18.4%	17.0%		12.5%		
<b>Adj. EBITDA</b>	<b>20.1</b>	<b>24.4</b>	<b>21.0</b>	16.3%	<b>23.9</b>	<b>23.0</b>	4.3%	<b>27.5</b>	<b>27.0</b>	1.9%
<b>NET DEBT (CASH)</b>	<b>(28.1)</b>	<b>(10.6)</b>	<b>(9.0)</b>	18.2%	<b>(9.3)</b>	<b>(13.7)</b>	-31.8%	<b>(17.0)</b>	<b>(20.0)</b>	-15.1%

Source: Bloomberg, Stifel Research and estimates

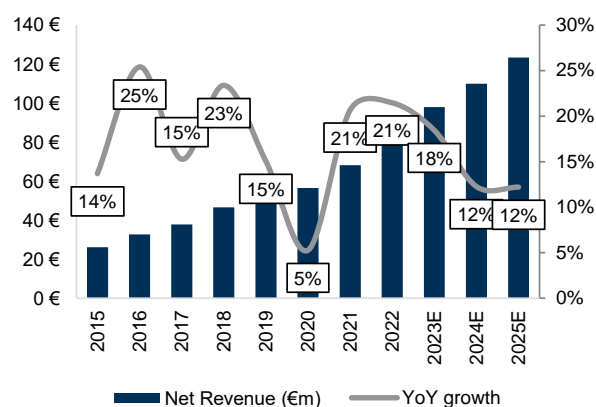
## Top-line growth underpinned by healthy volumes

Figure 3: Total volumes sold breakdown by division



Source: Company accounts, Stifel Research and estimates

Figure 4: Group Net Revenue YoY % Change



Source: Company accounts, Stifel Research and estimates

## Q4/FY-22 Results review

Figure 5: PharmaNutra Q4/FY-22 results review

€, Mn	4Q21	2021	1Q22	2Q22	3Q22	4Q22	Stifel Est.		2022	Stifel Est.	
							4Q22E	Δ (%)		2022E	Δ (%)
<b>P&amp;L</b>											
<b>NET REVENUES</b>	<b>18.8</b>	<b>68.1</b>	<b>18.8</b>	<b>20.9</b>	<b>20.6</b>	<b>22.5</b>	<b>21.5</b>	4%	<b>82.7</b>	<b>81.8</b>	1%
<i>chge% YoY</i>	19.3%	20.7%	32.3%	15.7%	20.7%	19.4%	14.5%		21.4%	20.1%	
<b>Adj. EBITDA</b>	<b>4.3</b>	<b>20.1</b>	<b>5.3</b>	<b>7.2</b>	<b>6.7</b>	<b>5.3</b>	<b>3.4</b>	55%	<b>24.4</b>	<b>22.5</b>	8%
<i>chge% YoY</i>	14.5%	25.4%	36.7%	11.5%	20.5%	23.6%	-20.0%		21.3%	12.2%	
<b>margin</b>	<b>22.6%</b>	<b>29.5%</b>	<b>27.8%</b>	<b>34.2%</b>	<b>32.5%</b>	<b>23.3%</b>	<b>15.8%</b>	+750bp	<b>29.4%</b>	<b>27.5%</b>	+190bp
<b>EBIT</b>	<b>3.8</b>	<b>18.7</b>	<b>5.0</b>	<b>6.8</b>	<b>6.3</b>	<b>4.9</b>	<b>2.8</b>	77%	<b>23.0</b>	<b>20.9</b>	10%
<i>chge% YoY</i>	34.2%	41.4%	39.4%	11.3%	20.8%	31.0%	-26.0%		23.3%	11.8%	
<b>margin</b>	<b>20.0%</b>	<b>27.4%</b>	<b>26.4%</b>	<b>32.8%</b>	<b>30.6%</b>	<b>21.9%</b>	<b>12.9%</b>	+900bp	<b>27.9%</b>	<b>25.6%</b>	+230bp
Net Financial Result	0.0	0.1	0.0	(0.0)	0.3	0.0	0.0		0.4	0.0	
<b>PRE TAX PROFIT</b>	<b>3.8</b>	<b>18.8</b>	<b>5.0</b>	<b>6.8</b>	<b>6.6</b>	<b>5.0</b>	<b>2.4</b>	103%	<b>23.4</b>	<b>20.9</b>	12%
Taxes	(0.9)	(5.0)	(1.5)	(2.1)	(2.0)	(2.8)	(1.5)		(8.4)	(6.3)	
Tax Rate (%)	-23.9%	-26.8%	-30.0%	-30.6%	-30.2%	-56.0%	27.0%		-35.7%	-30.1%	
<b>NET INCOME</b>	<b>2.9</b>	<b>13.8</b>	<b>3.5</b>	<b>4.7</b>	<b>4.6</b>	<b>2.2</b>	<b>1.7</b>	26%	<b>15.0</b>	<b>14.6</b>	3%
<b>Adj. NET INCOME</b>	<b>2.9</b>	<b>13.3</b>	<b>3.5</b>	<b>4.7</b>	<b>4.6</b>	<b>2.2</b>	<b>1.7</b>	26%	<b>16.4</b>	<b>14.6</b>	13%
<i>chge% YoY</i>	6.9%	14.8%	39.4%	16.5%	20.5%	-24.4%	-39.9%		23.5%	9.7%	
<b>Adj. EPS</b>	<b>0.30</b>	<b>1.38</b>	<b>0.36</b>	<b>0.49</b>	<b>0.48</b>	<b>0.23</b>	<b>0.2</b>	25%	<b>1.56</b>	<b>1.51</b>	3%
<b>Cash Flow &amp; Balance Sheet</b>											
<b>FCF</b>	<b>7.2</b>	<b>15.4</b>	<b>0.8</b>	<b>(0.6)</b>	<b>(1.6)</b>	<b>4.7</b>	<b>1.0</b>	391%	<b>3.3</b>	<b>(0.4)</b>	
NET DEBT / (CASH)	(28.1)	(28.1)	(27.1)	(19.6)	(7.3)	(3.3)	1.0	-422%	(10.6)	(6.3)	68%
NET DEBT/EBITDAx	(6.6) x	(1.4) x	(5.1) x	(2.7) x	(1.1) x	(0.6) x	0.3 x		(0.4) x	(0.3) x	
<b>Net Revenue drivers</b>											
<b>Sales by division</b>											
<b>LB1 (Italy)</b>	<b>12.4</b>	<b>47.8</b>	<b>13.1</b>	<b>15.9</b>	<b>13.5</b>	<b>16.8</b>	<b>15.0</b>	12%	<b>59.2</b>	<b>57.5</b>	3%
<i>chge% YoY</i>	8.0%	19.6%	20.7%	17.9%	22.0%	34.9%	21.0%		23.9%	20.3%	
<b>LB2 (Row)</b>	<b>6.4</b>	<b>20.3</b>	<b>5.8</b>	<b>5.0</b>	<b>6.1</b>	<b>6.6</b>	<b>5.8</b>	15%	<b>23.5</b>	<b>22.7</b>	4%
<i>chge% YoY</i>	49.7%	23.4%	69.1%	9.4%	3.1%	3.4%	-9.8%		15.7%	26.6%	
<b>Akern</b>	-	-	-	-	<b>0.9</b>	<b>1.1</b>	<b>0.7</b>	42%	<b>2.0</b>	<b>1.7</b>	19%
<i>chge% YoY</i>	-	-	-	-	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>		<i>n.m.</i>	<i>n.m.</i>	
<b>Total</b>	<b>18.8</b>	<b>68.1</b>	<b>18.8</b>	<b>20.9</b>	<b>20.6</b>	<b>24.4</b>	<b>20.0</b>	3%	<b>84.7</b>	<b>81.8</b>	4%
<i>chge% YoY</i>	19.3%	20.7%	32.3%	15.7%	20.7%	24.2%	17.1%		21.4%	21.0%	

Source: Company accounts, Stifel Research and estimates

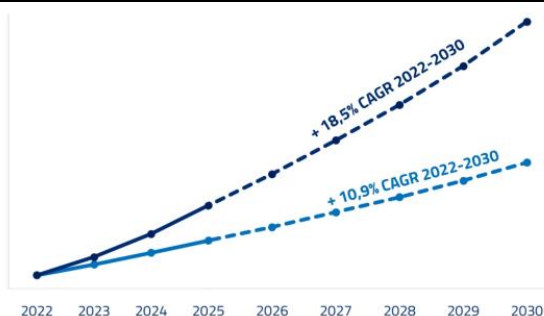
## CMD Feedback

On February 21, PharmaNutra hosted a well-attended investor day in Milan to present its corporate strategy to 2030. The foundations for the next growth chapter are cemented in five key projects, namely the US market, China, Spain, Akern, and Cetilar Nutrition. This should drive a meaningful company sales CAGR 2022-30 of +18.5% (vs SFe +X%; vs +11% PHN as is), or more than double net revenue at the end of the plan to some €200-300m, with profitability growing at c.+20% CAGR (vs +X% PHN as is), equating to an EBITDA margin above 30%.

We recap below our main takes from the CMD on the five key growth drivers.

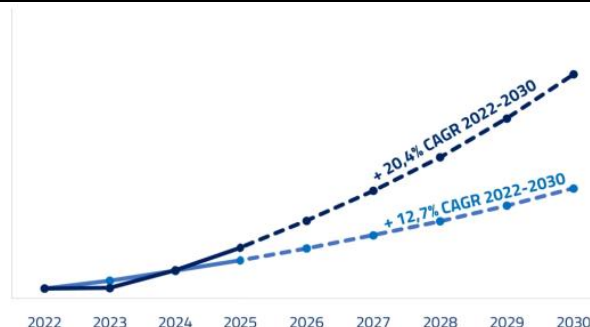
- US market:** A new wholly-owned subsidiary, PharmaNutra USA Corp, for the distribution of top-selling products (SiderAL, Cetilar, and ApportAL) was set up in December. The distribution strategy envisages a two-way approach: B2B with medical detailing for doctors and hospitals and B2C with DtC marketing campaigns supported by e-commerce. We understood that the investment related to this market will be gradual, as management will carefully evaluate at a later stage further investment opportunities, while the potential turnover in 5 years' time was estimated at around €30-40m.
- Cetilar Nutrition:** Leveraging its DNA in the medical sports area, PharmaNutra will set up a new sports nutrition business in H1-23, focusing on the Italian and Spanish markets. Under the Cetilar brand, the company will launch a complete line of premium supplementation products with high formulations, including gels, powders, and bars targeting athletes and sports professionals. The line will be promoted through a new specific sales network to doctors, pharmacies, and professional sports teams (B2B), as well as on a proprietary B2C e-commerce. Marketing investments will include tailored made communication campaigns and sponsorships, including the already-announced partnership with Luna Rossa Prada Pirelli sailing team for the 37° America's cup. Management estimated the sales potential of the division in 5 years around €5-8m.
- Spain:** Management is adopting a hybrid approach, selling and distributing Cetilar traditional and sport nutritional products, as well as Akern's, through a proprietary sales network, while maintaining its long-lasting partnership with Zambon for SiderAL. The setup of the business should require limited up-front investment and the potential turnover in 5 years times was said to be c.€5-10m.
- Akern:** Acquired in June 2022, Akern is the market leader in body composition analysis devices and software thanks to a deep penetration within nutritionists. Akern will leverage PharmaNutra's partners' network to grow its presence in Italy and abroad, targeting sports medicine as well as new clinical segments like oncology and geriatrics through a growing sales network and new e-commerce. Akern has the potential to grow its revenue from c.€5m to c.€10-25m in 5 years.
- In China** PharmaNutra will adopt a lean BTC model, selling its SiderAL products through the TMG e-commerce platform (the biggest in China). The online iron market is estimated €100m+, 40% of which is related to foreign products. Management expects to achieve double-digit growth reaching some €3-10m turnover in five years.

Figure 3: PharmaNutra 2022-30 sales targets



Source: Company accounts

Figure 4: PharmaNutra 2022-30 profitability targets



Source: Company accounts

## Our detailed model assumptions

Figure 7: Revenue and earnings model

Year to December (EUR m)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
<b>Net Revenue</b>	<b>38</b>	<b>47</b>	<b>54</b>	<b>56</b>	<b>68</b>	<b>83</b>	<b>98</b>	<b>110</b>	<b>123</b>
YoY Growth	15.3%	23.4%	15.0%	5.3%	20.7%	21.4%	18.4%	12.3%	12.2%
<b>Net Revenue by product</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Sideral	n.a.	37	40	44	53	59	66	74	83
YoY Growth	n.a.	n.a.	10%	8%	21%	12%	13%	12%	12%
Cetilar	n.a.	4	5	6	7	8	10	11	13
YoY Growth	n.a.	n.a.	21%	2%	19%	24%	18%	15%	15%
Apportal	n.a.	0	2	2	4	8	11	12	14
YoY Growth	n.a.	n.a.	421%	24%	62%	112%	30%	15%	10%
Ultramag	n.a.	0	1	1	1	1	1	1	1
YoY Growth	n.a.	n.a.	84%	-36%	55%	1%	2%	0%	0%
Others	n.a.	3	3	2	2	2	3	3	4
YoY Growth	n.a.	n.a.	1%	-30%	-6%	25%	28%	0%	17%
<b>Total Finished Products</b>	<b>36</b>	<b>45</b>	<b>52</b>	<b>54</b>	<b>66</b>	<b>78</b>	<b>91</b>	<b>102</b>	<b>114</b>
% YoY growth	15%	23%	15%	5%	21%	21%	18%	12%	12%
Raw Materials	2	2	2	2	2	2	2	2	2
Akern	-	-	-	-	-	2	5	6	7
<b>Total Net Revenue</b>	<b>38</b>	<b>47</b>	<b>54</b>	<b>56</b>	<b>68</b>	<b>83</b>	<b>98</b>	<b>110</b>	<b>123</b>
<b>Net Revenue by channel</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Italy (LB1)	30	34	39	40	48	59	67	74	82
YoY Growth	22%	15%	14%	3%	20%	24%	13%	11%	11%
% of sales	79%	74%	73%	71%	70%	71%	68%	67%	66%
RoW (LB2)	8	12	15	16	20	23	26	30	34
YoY Growth	-4%	52%	18%	13%	23%	16%	13%	14%	14%
% of sales	21%	26%	27%	29%	30%	29%	32%	33%	34%
<b>Total Net Revenue</b>	<b>38</b>	<b>47</b>	<b>54</b>	<b>56</b>	<b>68</b>	<b>83</b>	<b>93</b>	<b>104</b>	<b>116</b>
<b>Adjusted EBITDA</b>	<b>9.4</b>	<b>11.8</b>	<b>13.2</b>	<b>16.0</b>	<b>20.1</b>	<b>24.4</b>	<b>23.9</b>	<b>27.5</b>	<b>33.2</b>
% yoy growth	25.4%	25.4%	11.3%	21.5%	25.4%	21.3%	-1.7%	14.9%	20.9%
% Margin	24.9%	25.4%	24.6%	28.4%	29.5%	29.4%	24.4%	25.0%	26.9%
<b>Adjusted diluted EPS</b>	<b>0.62</b>	<b>0.81</b>	<b>0.87</b>	<b>1.20</b>	<b>1.38</b>	<b>1.56</b>	<b>1.58</b>	<b>1.79</b>	<b>2.20</b>
% yoy growth	+44.8%	+30.3%	+7.5%	+37.2%	+14.8%	+13.4%	+1.4%	+13.1%	+22.8%
<b>DPS (€)</b>	<b>0.33</b>	<b>0.50</b>	<b>0.46</b>	<b>0.67</b>	<b>0.71</b>	<b>0.80</b>	<b>0.79</b>	<b>0.81</b>	<b>0.99</b>
Payout	53%	62%	53%	56%	52%	51%	50%	45%	45%
<b>Free cash flow</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>15</b>	<b>3</b>	<b>7</b>	<b>16</b>	<b>20</b>
Capex	-1	-1	-5	-1	-5	-11	-8	-2	-2
Operating net working capital	7	8	9	10	10	10	12	13	15
<b>Net Debt / (cas)</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>19</b>	<b>28</b>	<b>11</b>	<b>9</b>	<b>17</b>	<b>29</b>

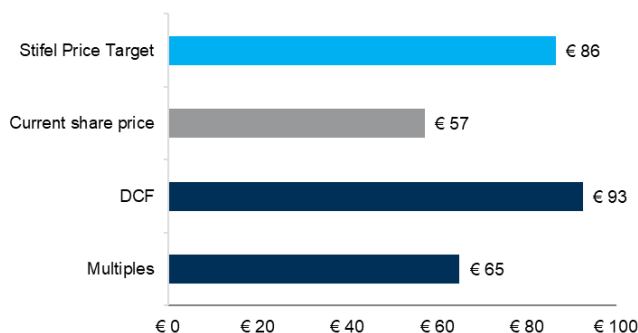
Source: Company accounts, Stifel Research and estimates



## Valuation

We derive our €86.0 price target for PharmaNutra using a combination of a discounted cash flow model and peer group multiples. We assign a higher weight to our DCF (80%), as we believe it is the best way to capture the long-term prospects of the business, while the visibility on the group's cash flow, in our view, is good.

Figure 8: PharmaNutra – Target Price summary



Source: Stifel Research and estimates

## Peer multiples

Figure 9: PharmaNutra– Peer multiples analysis and valuation snapshot

	HQ	MC (EUR mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE			Dividend Yield %			FCF yield %		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>PharmaNutra SpA @ consensus est.</b>	IT	542	5.6 x	4.8 x	4.6 x	21.8 x	18.5 x	16.7 x	24.2 x	20.6 x	18.4 x	34.6 x	29.2 x		1.5%	1.6%		1.7%	3.0%	3.9%
<b>Nutraceuticals</b>																				
Biogaia AB	SE	849	6.3 x	5.6 x	5.1 x	18.1 x	16.0 x	14.2 x	19.4 x	17.1 x	15.1 x	30.0 x	26.2 x	23.2 x	1.5%	1.7%	2.0%	3.4%	3.7%	4.2%
Chr Hansen Holding A/S	DK	8,667	7.3 x	6.8 x	6.4 x	20.7 x	18.9 x	17.4 x	27.2 x	24.5 x	22.2 x	34.2 x	30.3 x	27.0 x	1.9%	2.2%	2.4%	2.2%	2.6%	3.0%
Probi AB	SE	185	2.8 x	2.7 x	2.5 x	10.1 x	10.0 x	9.2 x	19.3 x	18.9 x	16.4 x	28.3 x	27.4 x	23.7 x	0.8%	0.9%	1.0%	6.4%	5.9%	6.6%
<b>Median</b>			<b>6.3 x</b>	<b>5.6 x</b>	<b>5.1 x</b>	<b>18.1 x</b>	<b>16.0 x</b>	<b>14.2 x</b>	<b>19.4 x</b>	<b>18.9 x</b>	<b>16.4 x</b>	<b>30.0 x</b>	<b>27.4 x</b>	<b>23.7 x</b>	<b>1.5%</b>	<b>1.7%</b>	<b>2.0%</b>	<b>3.4%</b>	<b>3.7%</b>	<b>4.2%</b>
<b>Average</b>			<b>5.5 x</b>	<b>5.0 x</b>	<b>4.6 x</b>	<b>16.3 x</b>	<b>15.0 x</b>	<b>13.6 x</b>	<b>22.0 x</b>	<b>20.2 x</b>	<b>17.9 x</b>	<b>30.8 x</b>	<b>28.0 x</b>	<b>24.6 x</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>4.0%</b>	<b>4.1%</b>	<b>4.6%</b>
<b>European Mid-cap Pharma</b>																				
Recordati Industria Chimica e Farmaceutica Sp	IT	7,947	4.7 x	4.4 x	4.2 x	13.2 x	12.5 x	11.7 x	16.9 x	15.6 x	14.2 x	18.1 x	16.7 x	15.1 x	3.1%	3.4%	3.8%	5.2%	6.0%	6.3%
Bachem Holding AG	CH	13,076	10.4 x	8.2 x	7.1 x	34.3 x	26.4 x	21.8 x	43.6 x	33.6 x	28.9 x	52.0 x	40.3 x	35.0 x	0.9%	1.0%	1.1%	0.7%	0.3%	-0.2%
Dermapharm Holding SE	DE	1,884	2.1 x	2.1 x	2.0 x	7.7 x	7.5 x	7.6 x	9.8 x	9.7 x	9.4 x	12.2 x	12.0 x	12.8 x	4.4%	4.4%	7.6%	9.1%	9.7%	10.8%
Laboratorios Farmaceuticos ROVI SA	ES	2,151	2.8 x	2.6 x	2.4 x	11.1 x	9.5 x	8.1 x	12.7 x	10.7 x	9.1 x	16.2 x	13.8 x	11.9 x	2.5%	2.5%	3.0%	5.9%	6.6%	7.6%
Almirall SA	ES	1,574	1.9 x	1.7 x	1.6 x	9.7 x	8.0 x	6.7 x	30.5 x	18.7 x	11.3 x	28.1 x	16.3 x	10.1 x	1.9%	2.0%	2.5%	5.1%	8.1%	10.4%
<b>Median</b>			<b>2.8 x</b>	<b>2.6 x</b>	<b>2.4 x</b>	<b>11.1 x</b>	<b>9.5 x</b>	<b>8.1 x</b>	<b>16.9 x</b>	<b>15.6 x</b>	<b>11.3 x</b>	<b>18.1 x</b>	<b>16.3 x</b>	<b>12.8 x</b>	<b>2.5%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>5.2%</b>	<b>6.6%</b>	<b>7.6%</b>
<b>Average</b>			<b>4.4 x</b>	<b>3.8 x</b>	<b>3.5 x</b>	<b>15.2 x</b>	<b>12.8 x</b>	<b>11.2 x</b>	<b>22.7 x</b>	<b>17.7 x</b>	<b>14.6 x</b>	<b>25.3 x</b>	<b>19.8 x</b>	<b>17.0 x</b>	<b>2.6%</b>	<b>2.7%</b>	<b>3.6%</b>	<b>5.2%</b>	<b>6.1%</b>	<b>7.2%</b>
<b>OTC Focused operators</b>																				
Perrigo Company PLC	IE	4,532	1.7 x	1.7 x	1.6 x	11.1 x	9.9 x	9.2 x	13.2 x	11.7 x	10.7 x	13.5 x	11.6 x	10.0 x	3.1%	3.4%	3.7%	8.2%	8.9%	10.8%
Prestige Consumer Healthcare Inc	US	2,830	3.9 x	3.8 x	3.7 x	11.4 x	11.0 x	10.7 x	12.5 x	12.1 x	11.8 x	14.4 x	13.7 x	13.0 x	0.0%	0.0%	0.0%	7.4%	8.6%	8.8%
Karo Healthcare AB	SE	1,482																		
Boiron SA	FR	716	0.9 x	0.9 x	0.8 x	4.8 x	4.5 x		7.0 x	6.3 x	5.4 x	14.3 x	13.0 x		3.0%	3.3%		8.9%	9.9%	
<b>Median</b>			<b>1.7 x</b>	<b>1.7 x</b>	<b>1.6 x</b>	<b>11.1 x</b>	<b>9.9 x</b>	<b>9.9 x</b>	<b>12.5 x</b>	<b>11.7 x</b>	<b>10.7 x</b>	<b>14.3 x</b>	<b>13.0 x</b>	<b>11.5 x</b>	<b>3.0%</b>	<b>3.3%</b>	<b>1.9%</b>	<b>8.2%</b>	<b>8.9%</b>	<b>9.8%</b>
<b>Average</b>			<b>2.2 x</b>	<b>2.1 x</b>	<b>2.0 x</b>	<b>9.1 x</b>	<b>8.5 x</b>	<b>9.9 x</b>	<b>10.9 x</b>	<b>10.0 x</b>	<b>9.3 x</b>	<b>14.1 x</b>	<b>12.8 x</b>	<b>11.5 x</b>	<b>2.0%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>8.2%</b>	<b>9.1%</b>	<b>9.8%</b>
<b>Italian CMO</b>																				
Fine Foods & Pharmaceuticals NTM SpA	IT	289	1.1 x	1.0 x	0.9 x	7.9 x	6.7 x	6.1 x	14.8 x	11.8 x	10.5 x	25.7 x	20.8 x	18.7 x	1.2%	1.5%	1.6%	4.8%	6.9%	7.2%
Labomar SpA	IT	183	2.8 x	2.4 x	2.2 x	12.9 x	11.4 x	10.0 x	19.6 x	17.1 x	15.2 x	26.8 x	23.9 x	21.1 x	1.2%	1.3%	1.4%	2.2%	1.8%	
<b>Median</b>			<b>1.9 x</b>	<b>1.7 x</b>	<b>1.6 x</b>	<b>10.4 x</b>	<b>9.0 x</b>	<b>8.1 x</b>	<b>17.2 x</b>	<b>14.5 x</b>	<b>12.9 x</b>	<b>26.2 x</b>	<b>22.4 x</b>	<b>19.9 x</b>	<b>1.2%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>3.5%</b>	<b>4.3%</b>	<b>7.2%</b>
<b>Average</b>			<b>1.9 x</b>	<b>1.7 x</b>	<b>1.6 x</b>	<b>10.4 x</b>	<b>9.0 x</b>	<b>8.1 x</b>	<b>17.2 x</b>	<b>14.5 x</b>	<b>12.9 x</b>	<b>26.2 x</b>	<b>22.4 x</b>	<b>19.9 x</b>	<b>1.2%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>3.5%</b>	<b>4.3%</b>	<b>7.2%</b>
			EV/Sales			EV/EBITDA			EV/EBIT			PE			Dividend Yield %			FCF yield %		
			2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Nutraceuticals	Median		6.3 x	5.6 x	5.1 x	18.1 x	16.0 x	14.2 x	19.4 x	18.9 x	16.4 x	30.0 x	27.4 x	23.7 x	1.5%	1.7%	2.0%	3.4%	3.7%	4.2%
European Mid-cap Pharma	Median		2.8 x	2.6 x	2.4 x	11.1 x	9.5 x	8.1 x	16.9 x	15.6 x	11.3 x	18.1 x	16.3 x	12.8 x	2.5%	2.5%	3.0%	5.2%	6.6%	7.6%
Reference peer group	W. Agv.		4.6 x	4.1 x	3.7 x	14.6 x	12.8 x	11.2 x	18.1 x	17.3 x	13.8 x	24.0 x	21.9 x	18.3 x	2.0%	2.1%	2.5%	4.3%	5.2%	5.9%

Source: Refinitiv Eikon

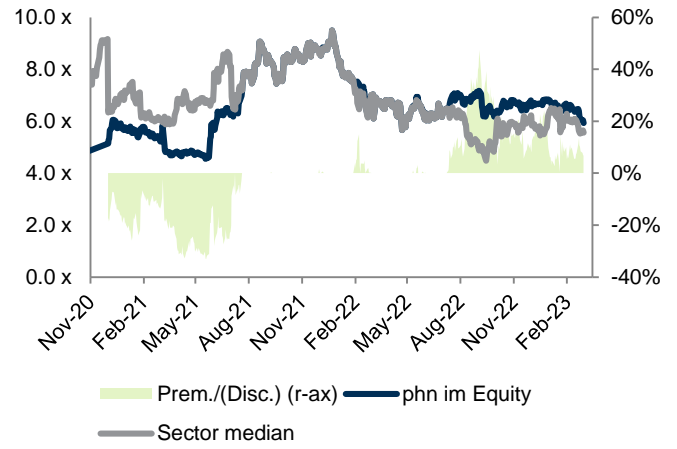
Historical valuation charts

Figure 10: PharmaNutra - 2-year forward EV/sales



Source: Bloomberg and Stifel Research

Figure 11: PharmaNutra - 2-year forward EV/sales vs sector



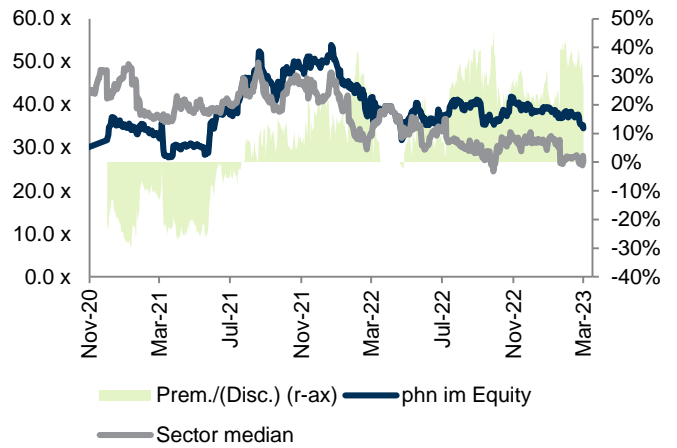
Source: Bloomberg and Stifel Research

Figure 12: PharmaNutra - 2-year forward PE



Source: Bloomberg and Stifel Research

Figure 13: PharmaNutra - 2-year forward PE vs sector



Source: Bloomberg and Stifel Research

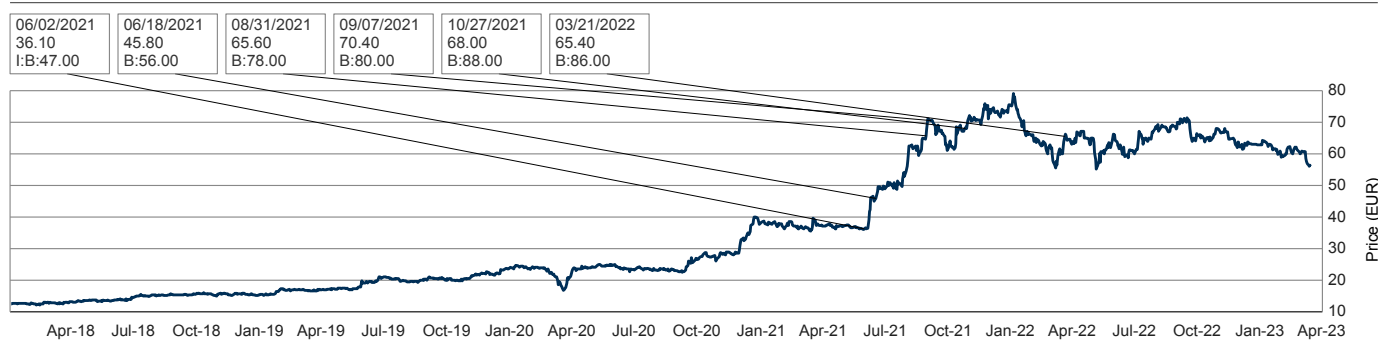
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Completed: 16 March 2023 19:06EDT  
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### PharmaNutra (PHN IM) as of March 15, 2023 (in EUR)



\*Represents the value(s) that changed.

Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

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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