

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu50.40 - Target: Eu75.00

Robust 9M Despite Comparative Headwinds, Solid Outlook

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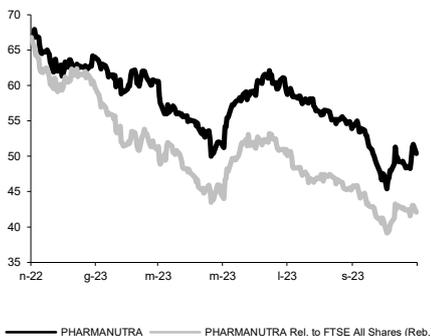
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 87.00 to 75.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	-0.3%	-0.2%

Next Event

FY23 Results Out in March 2024

PHARMANUTRA - 12M Performance



Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	6.2%	-10.8%	-24.2%
Relative	3.5%	-10.3%	-45.1%
12M (H/L)	67.90/45.40		
3M Average Volume (th):	4.47		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	488
Total Mkt Cap (Eu mn):	488
Mkt Float - Ord (Eu mn):	171
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	55
BVPS (Eu):	5.70
P/BV:	8.8
Net Financial Position (Eu mn):	-5
Enterprise Value (Eu mn):	492

■ **9M23 results** beat our estimates all down the P&L. As expected, 9M trends remained solid (sales +18.5%) despite a temporary slowdown in quarterly sales (1Q: +25.3%, 2Q: 24.7%, 3Q: +6.0%), due mostly to a tough comparison with last year. The YoY slowdown in Apportal® sales (9M: -3.3%, 3Q: -19.6%), in line with the general trend in the topical products market, occurred as the impact of Covid-19 faded. The SiderAL® line (72% of finished product sales) confirmed its leadership in the iron-based supplements market with a value market share of 53.6% and sales up 17% in 9M (+11% in 3Q), while sales of the Cetilar® line (10% of sales) increased c.22% in 9M (+14% in 3Q). Domestic revenues grew 16.3% while sales abroad were up 24.3%. Akern contributed Eu3.6mn of sales, c.5% of the total. Adj. EBITDA came to €19.0mn (-3.3% YoY) a 26.6% margin on net sales, down 5pp YoY to reflect the start-up costs of new projects (c.€3mn), namely recruitment costs, personnel costs, administrative and commercial consulting, and marketing costs. Excluding start-up costs, adj. EBITDA margin would be 30.5%, broadly flat YoY. FCF0 at €3.2m was in line with our assumption, affected by deferred costs and the implementation of purchasing strategy on inventories. Net Debt remained flat vs. 1H at c.€10mn following c.€8mn NWC absorption, higher CapEx (c.€12.3mn, mostly for new HQ), dividends (€7.7mn), buybacks (€1.6mn) and the purchase of tax receivables (€4.2mn).

■ **Confident tone from conference call.** Management is happy with current consensus for FY23 (€98mn sales and €24mn EBITDA) and extremely optimistic for 2024, expecting solid growth both in Italy and abroad. For 4Q23, management expects the highest quarter ever in terms of international sales, driven by a concentration of orders, while trends in Italy are expected to align with those of 9M23. Very reassuring commentary on the macro environment, with no changes observed in overall consumer confidence across product categories. Even products that are more consumer-driven, like Cetilar and Apportal, as opposed to medical-driven ones like Sideral, are experiencing strong growth rates thanks to very high consumer loyalty levels. On Cetilar, the company is close to reaching its annual target of approximately 1mn unit sales in Italy. Apportal suffered the end of the pandemic, with sales peaking in 2022 thanks to its efficacy in treating post-Covid fatigue, but this was offset by overall customer satisfaction, leading to nearly flat sales in 9M.

■ **Change in estimates.** We are leaving our 2023-25 estimates unchanged, while raising YE23 net debt by c.€5mn to factor in more prudent assumptions on 4Q NWC dynamics.

■ **BUY confirmed; new target €75 (from €87).** On the back of resilient 9M results, we reiterate our BUY rating and trim our DCF-based TP to €75 to reflect a 50bps increase in the risk-free rate. 2023 is poised to be a transitional year, but we deem the recent stock underperformance unjustified: we believe the market is ready to take another look at a story of massive long-term structural growth, especially if some visibility starts to emerge in the near future. Based on management indications provided at the recent Investor Day, new business opportunities could unlock significant additional growth in both turnover (2022-30 CAGR +19% vs. +11% organic) and EBITDA (CAGR +20% vs. 13% organic), resulting in huge, long-term upside worth up to €90-100/share on top of our TP. On the existing business, PHN looks very well placed in a steadily-growing industry thanks to undisputed leadership in solid oral iron supplements, high entry barriers due to IP protection, and a relentless commitment to R&D.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	68	83	98	113	124
EBITDA Adj (Eu mn)	20	24	24	28	31
Net Profit Adj (Eu mn)	13	15	16	18	20
EPS New Adj (Eu)	1.375	1.554	1.618	1.828	2.092
EPS Old Adj (Eu)	1.375	1.554	1.618	1.834	2.096
DPS (Eu)	0.710	0.800	0.809	0.914	1.046
EV/EBITDA Adj	23.6	25.3	20.6	17.4	15.3
EV/EBIT Adj	25.4	26.8	22.4	19.3	16.9
P/E Adj	36.6	32.4	31.2	27.6	24.1
Div. Yield	1.4%	1.6%	1.6%	1.8%	2.1%
Net Debt/EBITDA Adj	-1.4	-0.4	0.2	-0.2	-0.4