

# PHARMANUTRA

**BUY**

Sector: Consumers

Price: Eu53.70 - Target: Eu82.00

## 1H Growth and Margin Rebound after Fixing Wholesale Issues

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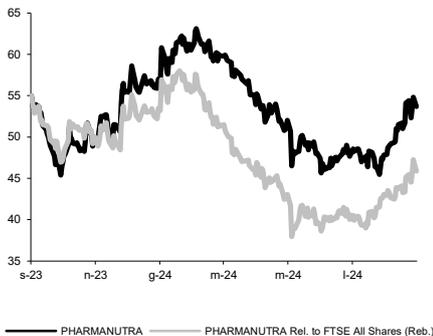
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 79.00 to 82.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.4%	3.4%	3.8%

### Next Event

3Q24 Results Out 11 September

### PHARMANUTRA - 12M Performance



### Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	12.3%	11.6%	-1.1%
Relative	7.0%	14.9%	-19.3%
12M (H/L)	63.10/45.40		
3M Average Volume (th):	5.55		

### Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	520
Total Mkt Cap (Eu mn):	520
Mkt Float - Ord (Eu mn):	182
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

### Balance Sheet Data

Book Value (Eu mn):	63
BVPS (Eu):	6.55
P/BV:	8.2
Net Financial Position (Eu mn):	5
Enterprise Value (Eu mn):	514

**1H24 results.** 1H24 top line and EBITDA exceeded our expectations by 4% and 10% respectively. Net sales (€56.1mn, +13% YoY) after a subdued 1Q (+0.5%) benefitted from a sequential acceleration in 2Q (+24% YoY) driven by solid trends in foreign markets (1H: +32% YoY, 33% of total sales) and a re-acceleration in Italy (1H: +6%, o/w 2Q: +14% YoY, 1Q: -3%) thanks to the fading away of the temporary issues in the wholesale procurement process experienced in 1Q. Akern contributed c.5% of total sales (€2.8mn), while new initiatives made a marginal contribution on the top line (€1.1mn, of which €0.7mn from China). Despite steady investments in start-up costs for new initiatives (€2.8mn, equally split between 1Q and 2Q), the adj. EBITDA margin on net sales bounced back to 28.9% (+0.6pp YoY), showing a 35% profitability peak in 2Q. Excluding start-up costs, the EBITDA margin on recurring business was 33% (31.2% in 1H). Net profit came in at €8.96mn (+12% vs our exp., 15.6% margin) as a result of stronger EBITDA, and higher D&A related to the new HQ. The icing on the cake was a solid FCFO (€7.8mn, our exp. €7.0mn) reflecting limited working capital absorption (-€2.8mn), which, together with CapEx (€1.3mn) and dividends (€8.2mn), drove net debt to €4.5mn (our exp. €5.2mn), slightly up vs YE23 (€2.6mn).

**Confident tone from conference call.** FY Outlook: after +13% in 1H, management still expects low double-digit top-line growth (in line with consensus), reflecting the challenging comparison with 2H (especially 4Q23). Despite the 2Q profitability peak of 35%, the company still sees a margin around 25%, in line with consensus, due to ongoing investment in new initiatives. Confident tone on Italy: in 2Q, PHN saw a 2% increase in units sold and 6% growth of value in Italy, with sell-out rising 10%, driven by a 16% increase in direct orders, and continued recovery in July, with sell-in expected to align with sell-out by year-end. The recent launch in Germany was supported by an exhaustive marketing plan with Fresenius Kabi, but no significant sales contribution is expected in 2024-25. Launch of vitamin D3 and B12 scheduled for 4Q, but no material contribution in 2024-25. China: promising take-up, some update expected in 2H.

**Change in estimates.** We make minor changes to our estimates, raising FY24-26 revenues and EBITDA by 1-2%. This leads to a neutral EPS change for this year and a 3-4% increase in FY25-26.

**BUY confirmed; target increased to €82 (from €79).** On our new estimates, we reiterate our BUY rating, raising our DCF-based TP to €82 (from €79), which offers 53% upside. 2024 is set to be a transitional year, with 1H improving visibility on our estimates following the resolution of contingent and temporary issues encountered in 1Q. We believe the market is ready to take a new look at a story of massive long-term structural growth, especially if the coming quarters provide greater visibility from new strategic initiatives. Based on hints provided at last year's Investor Day, new business opportunities could unlock significant further growth in both sales (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	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	83	100	112	124	136
EBITDA Adj (Eu mn)	24	26	29	32	35
Net Profit Adj (Eu mn)	15	15	17	20	22
EPS New Adj (Eu)	1.554	1.596	1.775	2.075	2.297
EPS Old Adj (Eu)	1.554	1.596	1.767	2.007	2.213
DPS (Eu)	0.800	0.850	0.887	1.038	1.148
EV/EBITDA Adj	25.3	20.6	18.0	15.8	14.0
EV/EBIT Adj	26.8	23.3	20.5	17.9	16.0
P/E Adj	34.5	33.6	30.3	25.9	23.4
Div. Yield	1.5%	1.6%	1.7%	1.9%	2.1%
Net Debt/EBITDA Adj	-0.4	0.1	-0.2	-0.5	-0.8

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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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 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.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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- 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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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
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SELL:	00.00 %

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Emittente	%	Long/Short

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