

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu55.00 - Target: Eu87.00

Strong Results as Expected, Higher Visibility on FY Consensus

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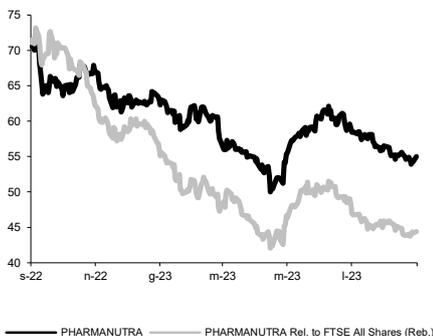
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	3.0%	-0.5%	-0.5%

Next Event

3Q23 Results Out 6 November 2023

PHARMANUTRA - 12M Performance



Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	-2.7%	-9.4%	-21.2%
Relative	-3.3%	-13.5%	-47.9%
12M (H/L)	71.40/50.00		
3M Average Volume (th):	3.36		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	532
Total Mkt Cap (Eu mn):	532
Mkt Float - Ord (Eu mn):	186
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:	9.6
Net Financial Position (Eu mn):	0
Enterprise Value (Eu mn):	533

1H23 results. Results broadly in line with estimates on the top line, while adj. EBITDA and bottom line +7/10% above our exp. due to complete reversal of one-offs that boosted 1Q. Net sales confirmed double-digit growth path (1Q23: +25.3%, 2Q: 24.7%), essentially driven by volumes in both the domestic (1Q: +27%, 2Q: +19%, now c. 72% of total sales), and foreign markets (1Q: +22%, 2Q: 44%), on top of boost from Akern (€2.7mn in 1H, 5.4% of total sales), consolidated as of 3Q22. On the other hand, the contribution to sales of other initiatives (Nutrition, Spain, China, USA) was negligible. Regarding the product pipeline, the SiderAL line (72% of sales) grew 20% YoY, reaching 53.5% market share in iron-based supplements, and Cetilar (10% of sales) was up 26.7%; by contrast, Apportal (8%) showed more restrained growth (1H: +7.8%, 2Q: -5.8%), reflecting seasonality and a tough comparison with last year (product indication for post-Covid fatigue, drop in Covid patients). 1H OpEx rose 31.5% YoY to reflect higher sales volume, consolidation of Akern, and marketing investments to implement new projects in order to sustain Group trademarks. Moreover, OpEx included €1.8mn in investments to set up the new businesses (USA, China, Spain, Cetilar® Nutrition). As a result, adjusted EBITDA was €14.1mn, with margin erosion at 28.3% (-2.9pp YoY) or 31.2% (-0.1pp YoY) excluding new initiatives. Reported bottom line was burdened by a c. €2mn tax provision for fiscal period 2017-21. NFP went negative at c. €10mn (vs. net cash of €10.6mn as at YE22) following c.€8mn NWC absorption (higher sales, increased inventories), higher CapEx (c.€10mn, o/w €7mn for new HQ), dividends (€7.7mn), and buybacks (€1.6mn).

Conference call feedback. 2023 outlook: a) existing business, high DD growth for revenues (management happy with current consensus, implying a bit softer growth in 2H to capture different seasonal patterns in Italy vs abroad), with a flattish EBITDA margin (FY22: 29%); b) new projects: €5mn in investments, of which €3mn for marketing activities, no material revenue contribution in FY23; c) NFP close to zero by YE: reversal of NWC trends (inventory reduction, longer DPOs with suppliers). Germany: already met with Fresenius to define next steps and recover delays, still at start phase (effects may materialise from next year). UK: Lipocet approval as novel food in UK is great result for PHN R&D team. Apportal: new clinical study showing its effectiveness for any type of fatigue.

Change in estimates. FY outlook coherent with our assumptions when including the €5mn start-up costs related to new projects (c. 5pp dilution vs 29% margin expected for existing business), while we perform minor fine-tuning below the EBITDA line to capture one-offs recorded in 1H and on NFP (reduced from +€6.2mn to -€0.4mn)

BUY confirmed; TP €87. On the back of a strong 1H, we reiterate our BUY rating and the DCF-based TP at €87. 2023 poised to be a transitional year but 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	1.834	2.096
EPS Old Adj (Eu)	1.375	1.554	1.571	1.844	2.107
DPS (Eu)	0.710	0.800	0.809	0.917	1.048
EV/EBITDA Adj	23.6	25.3	22.3	18.9	16.6
EV/EBIT Adj	25.4	26.8	24.2	21.0	18.4
P/E Adj	40.0	35.4	34.0	30.0	26.2
Div. Yield	1.3%	1.5%	1.5%	1.7%	1.9%
Net Debt/EBITDA Adj	-1.4	-0.4	0.0	-0.3	-0.5