

PHARMANUTRA

BUY

Sector: Consumers

Price: Eu53.40 - Target: Eu87.00

Strong 3Q Performance Sets Up Positive Momentum for 4Q

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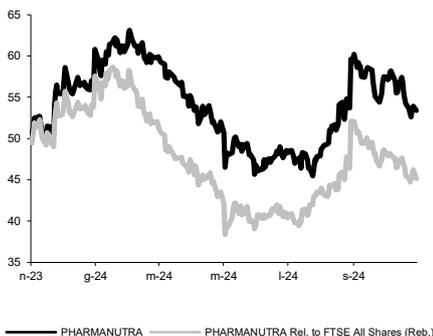
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 82.00 to 87.00		
	2024E	2025E	2026E
Chg in Adj EPS	6.4%	5.9%	4.2%

Next Event

FY24 Results Out mid-March 2025

PHARMANUTRA - 12M Performance



Stock Data

Reuters code:	PHNU.MI		
Bloomberg code:	PHN IM		
Performance	1M	3M	12M
Absolute	-7.1%	11.7%	7.1%
Relative	-7.3%	4.0%	-12.9%
12M (H/L)	63.10/45.45		
3M Average Volume (th):	5.54		

Shareholder Data

No. of Ord shares (mn):	10
Total no. of shares (mn):	10
Mkt Cap Ord (Eu mn):	517
Total Mkt Cap (Eu mn):	517
Mkt Float - Ord (Eu mn):	181
Mkt Float (in %):	35.0%
Main Shareholder:	
Andrea Lacorte	31.4%

Balance Sheet Data

Book Value (Eu mn):	64
BVPS (Eu):	6.63
P/BV:	8.1
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	514

■ **9M24 results.** 9M top line and EBITDA exceeded our expectations by 1% and 3% respectively. Net sales (€83.5mn, +17% YoY) after a subdued 1Q (+0.5%) confirmed the double-digit trajectory (3Q: +25%, 2Q: +24%) driven by solid trends in foreign markets (9M: +33% YoY, 34% of net sales) and a re-acceleration in Italy (3Q: +21%, 2Q: +14% YoY, 1Q: -3%). Akern contributed c.5% of total sales (€4.1mn), while new initiatives had a marginal impact on the top line (€1.7mn, of which €1.1mn from China). Despite steady investments in start-up costs for new initiatives (9M: €4mn, 1H: €2.8mn), the adj. EBITDA margin on net sales came to 29.0% (+2.4pp YoY), a touch above 1H (28.9%). Excluding start-up costs, the EBITDA margin on recurring business was 33% (31.2% in 1H). Adj. net profit was €13.2mn (+2% vs our exp., 15.8% margin) on stronger EBITDA and higher D&A for the new HQ. The icing on the cake was solid FCFO (€14mn, our exp. €12.5mn) reflecting limited working capital absorption (-€2.2mn), which coupled to CapEx (€2.7mn), dividends (€8.2mn) and buyback (€0.6mn) drove a return to a positive NFP at €0.5mn (our exp. €0.7mn debt).

■ **Positive tone from conference call.** FY Outlook: strong organic growth is expected to continue in 4Q, with management seeing no signs of deceleration or increased start-up costs, suggesting the current consensus is conservative. USA: In collaboration with McKinsey, Pharmanutra is crafting a US market entry plan centred on three key actions starting in January, leveraging broad product applications and market insights to drive growth. Apportal: now ranks 12th in the pharmacy tonic market, highlighting significant growth. Other European markets: the UK, France, and Ireland remain untapped; a potential partner has shown preliminary interest in France, while the UK may benefit from an online entry approach. China: significant e-commerce growth expected in 4Q, driven by Double Eleven, though margins remain low during the build-up phase. Tax settlement in Italy: €600k paid yesterday, already covered by a risk provision.

■ **Change in estimates.** We raise our FY24 estimates on revenues by 4% and EBITDA by 15%, now assuming 17% top-line growth in 4Q (in line with 9M) and a 26% margin, while we slightly increase D&A and taxes, leading to a mid-single digit increase in '24-26 EPS.

■ **BUY confirmed; target increased to €87 (from €82).** On our new estimates, we reiterate our BUY rating, raising our DCF-based TP to €87 (from €82), which offers >60% upside. 2024 is set to be a transitional year, with 9M improving visibility on our estimates while the Group is entering a new phase of significant value creation. 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	117	129	141
EBITDA Adj (Eu mn)	24	26	33	36	38
Net Profit Adj (Eu mn)	15	15	18	21	23
EPS New Adj (Eu)	1.554	1.596	1.888	2.197	2.393
EPS Old Adj (Eu)	1.554	1.596	1.775	2.075	2.297
DPS (Eu)	0.800	0.850	0.944	1.098	1.197
EV/EBITDA Adj	25.3	20.6	15.6	14.0	12.7
EV/EBIT Adj	26.8	23.3	18.0	16.3	14.7
P/E Adj	34.4	33.5	28.3	24.3	22.3
Div. Yield	1.5%	1.6%	1.8%	2.1%	2.2%
Net Debt/EBITDA Adj	-0.4	0.1	-0.1	-0.4	-0.7

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- 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.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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